



**STELLENBOSCH**  
STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNICIPALITY • UMASIPALA • MUNISIPALITEIT



**Audited Annual Financial  
Statements for the period  
ended 30 June 2016**

**2015/2016**

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Mayoral committee

Executive Mayor  
Deputy Executive Mayor  
Speaker  
Executive Councillors

CJ Sidego  
MG Smuts  
C Jooste  
A Frazenburg  
V Fernandez  
N Jindela  
SJ Louw  
PJ Retief  
JP Serdyn  
Q Smit  
DC Botha  
F Adams  
DS Arends  
NM August  
HC Bergstedt  
A Crombie  
JA Davids  
E Groenewald  
R Du Toit  
JSA Fourie  
N Gcaza  
DA Hendrickse  
JK Hendriks  
MC Johnson  
S Jooste  
CP Jooste  
DD Joubert  
SJ Louw  
N Mananga-Gugushe  
EL Maree  
NE McOmbring  
LX Mdemka  
C Moses  
RS Nalumango  
N Ntsunguzi  
MM Ngcofe  
KE Qotywa  
WJ Pretorius  
L Ronoti  
P Sitshoti  
LN Siwakamisa  
LL Stander  
PJ Venter  
M Wanana

### Councillors

### Grading of local authority

Councillors Grade 4  
Personnel Grade 10

### Acting Accounting Officer

R Bosman  
Tel: 021 808 8025

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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|                                    |                                                  |
|------------------------------------|--------------------------------------------------|
|                                    | Fax: 021 808 8200                                |
| <b>Chief Finance Officer (CFO)</b> | M Wust<br>Tel: 021 808 8528<br>Fax: 021 886 7318 |
| <b>Registered office</b>           | Plein Street<br>Stellenbosch<br>7600             |
| <b>Business address</b>            | Plein Street<br>Stellenbosch<br>7600             |
| <b>Postal address</b>              | P O Box 17<br>Stellenbosch<br>7599               |
| <b>Bankers</b>                     | ABSA                                             |
| <b>Auditors</b>                    | Auditor-General of South Africa                  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Index

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## Abbreviations

|      |                                          |
|------|------------------------------------------|
| CRR  | Capital Replacement Reserve              |
| GRAP | Generally Recognised Accounting Practice |
| IAS  | International Accounting Standards       |
| MEC  | Member of the Executive Council          |
| MFMA | Municipal Finance Management Act         |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 33 and 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis, is hereby certified.

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**Richard Bosman**  
**Acting Accounting Officer**

**31 August 2016**

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

| Figures in Rand                                              | Note(s) | 2016                 | 2015<br>Restated*    |
|--------------------------------------------------------------|---------|----------------------|----------------------|
| <b>Assets</b>                                                |         |                      |                      |
| <b>Current Assets</b>                                        |         |                      |                      |
| Cash and cash equivalents                                    | 3       | 128 186 992          | 609 430 081          |
| Receivables from exchange transactions                       | 4       | 84 833 702           | 69 830 863           |
| Other receivables from exchange transactions                 | 5       | 59 372 543           | 51 767 465           |
| Inventories                                                  | 6       | 34 658 109           | 21 632 300           |
| Receivables from non-exchange transactions                   | 7       | 60 051 157           | 61 740 911           |
| VAT receivable                                               | 8       | 32 262 026           | 13 335 673           |
| Short term investments                                       | 9       | 480 000 000          | -                    |
| Long term receivables                                        | 15      | 1 387 174            | 906 108              |
|                                                              |         | <b>880 751 703</b>   | <b>828 643 401</b>   |
| <b>Non-Current Assets</b>                                    |         |                      |                      |
| Biological assets that form part of an agricultural activity | 10      | 8 907 000            | 10 659 185           |
| Investment property                                          | 11      | 413 958 231          | 414 210 819          |
| Property, plant and equipment                                | 12      | 4 173 691 900        | 3 984 394 335        |
| Intangible assets                                            | 13      | 6 777 133            | 5 328 494            |
| Heritage assets                                              | 14      | 724 002              | 724 002              |
| Long term receivables                                        | 15      | 2 188 000            | 4 175 128            |
|                                                              |         | <b>4 606 246 266</b> | <b>4 419 491 963</b> |
| <b>Total Assets</b>                                          |         | <b>5 486 997 969</b> | <b>5 248 135 364</b> |
| <b>Liabilities</b>                                           |         |                      |                      |
| <b>Current Liabilities</b>                                   |         |                      |                      |
| Consumer deposits                                            | 16      | 13 191 374           | 12 488 198           |
| Employee benefit obligations                                 | 17      | 39 327 768           | 36 506 212           |
| Operating lease liability                                    | 18      | 2 074 649            | 2 412 120            |
| Other financial liabilities                                  | 19      | 11 908 295           | 9 105 127            |
| Provisions                                                   | 20      | 6 812 128            | 45 230 959           |
| Payables from exchange transactions                          | 21      | 203 602 923          | 182 687 513          |
| Unspent conditional grants and receipts                      | 22      | 46 820 691           | 37 079 744           |
|                                                              |         | <b>323 737 828</b>   | <b>325 509 873</b>   |
| <b>Non-Current Liabilities</b>                               |         |                      |                      |
| Other financial liabilities                                  | 19      | 186 386 067          | 150 333 877          |
| Employee benefit obligations                                 | 17      | 207 825 478          | 188 703 048          |
| Provisions                                                   | 20      | 76 283 251           | 40 494 090           |
|                                                              |         | <b>470 494 796</b>   | <b>379 531 015</b>   |
| <b>Total Liabilities</b>                                     |         | <b>794 232 624</b>   | <b>705 040 888</b>   |
| <b>Net Assets</b>                                            |         | <b>4 692 765 345</b> | <b>4 543 094 476</b> |
| <b>Net Assets</b>                                            |         |                      |                      |
| Accumulated surplus                                          | 23      | 4 692 765 345        | 4 543 094 476        |

\* See Note 59 & 60

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

| Figures in Rand                                           | Note(s) | 2016                   | 2015<br>Restated*      |
|-----------------------------------------------------------|---------|------------------------|------------------------|
| <b>Revenue</b>                                            |         |                        |                        |
| <b>Revenue from exchange transactions</b>                 |         |                        |                        |
| Service charges                                           | 24      | 705 713 720            | 625 779 854            |
| Rental of facilities and equipment                        | 25      | 16 790 832             | 16 808 776             |
| Interest earned - outstanding receivables                 | 26      | 5 713 800              | 6 313 897              |
| Agency services                                           | 27      | 1 906 917              | 2 018 435              |
| Licences and permits                                      |         | 7 238 690              | 7 119 738              |
| Other income                                              | 28      | 35 651 984             | 25 961 837             |
| Investment revenue                                        | 29      | 49 713 124             | 40 186 078             |
| <b>Total revenue from exchange transactions</b>           |         | <b>822 729 067</b>     | <b>724 188 615</b>     |
| <b>Revenue from non-exchange transactions</b>             |         |                        |                        |
| <b>Taxation revenue</b>                                   |         |                        |                        |
| Property rates                                            | 30      | 268 311 283            | 249 518 660            |
| Property rates - penalties imposed                        | 30      | 2 067 379              | 2 850 333              |
| <b>Transfer revenue</b>                                   |         |                        |                        |
| Government grants & subsidies                             | 31      | 227 268 132            | 139 590 198            |
| Fines, penalties and forfeits                             | 32      | 90 712 510             | 38 751 567             |
| <b>Total revenue from non-exchange transactions</b>       |         | <b>588 359 304</b>     | <b>430 710 758</b>     |
| <b>Total revenue</b>                                      |         | <b>1 411 088 371</b>   | <b>1 154 899 373</b>   |
| <b>Expenditure</b>                                        |         |                        |                        |
| Employee related costs                                    | 33      | (367 462 966)          | (313 819 007)          |
| Remuneration of councillors                               | 34      | (15 844 246)           | (14 430 766)           |
| Contribution to/from provisions                           | 35      | (7 857 299)            | (13 357 507)           |
| Contribution to allowance for doubtful debt               | 36      | (1 241 549)            | (20 142 252)           |
| Depreciation and amortisation                             | 37      | (152 439 477)          | (146 611 141)          |
| Impairment of non cash generating assets                  |         | -                      | (9 927 321)            |
| Finance costs                                             | 38      | (20 390 548)           | (13 409 012)           |
| Contribution to employee benefits                         | 39      | (31 607 439)           | (63 213 526)           |
| Debt impairment                                           | 40      | (69 067 236)           | (39 991 446)           |
| Collection costs                                          |         | (1 849 167)            | (1 495 790)            |
| Repairs and maintenance                                   |         | (54 657 830)           | (58 453 374)           |
| Bulk purchases                                            | 41      | (324 776 672)          | (287 344 031)          |
| Contracted services                                       | 42      | (49 914 569)           | (38 671 967)           |
| Transfers and subsidies                                   | 43      | (6 215 883)            | (5 555 047)            |
| General Expenses                                          | 44      | (151 612 364)          | (105 591 142)          |
| <b>Total expenditure</b>                                  |         | <b>(1 254 937 245)</b> | <b>(1 132 013 329)</b> |
| <b>Operating surplus</b>                                  |         | <b>156 151 126</b>     | <b>22 886 044</b>      |
| (Loss) gain on disposal of assets and liabilities         |         | (933 659)              | 1 255 730              |
| Fair value adjustments                                    | 45      | (5 624 621)            | 325 021                |
| Gain on sale biological assets and agricultural produce   |         | 43 295                 | 83 896                 |
| Inventories (losses/write-downs)/ reversal of write downs |         | 34 728                 | (39 084)               |
|                                                           |         | <b>(6 480 257)</b>     | <b>1 625 563</b>       |
| <b>Surplus for the year</b>                               |         | <b>149 670 869</b>     | <b>24 511 607</b>      |

\* See Note 59 & 60

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated surplus  | Total net assets     |
|---------------------------------------------|----------------------|----------------------|
| Opening balance as previously reported      | 3 855 555 346        | 3 855 555 346        |
| Adjustments                                 |                      |                      |
| Prior year adjustments                      | 663 027 523          | 663 027 523          |
| <b>Balance at 01 July 2014 as restated*</b> | <b>4 518 582 869</b> | <b>4 518 582 869</b> |
| Changes in net assets                       |                      |                      |
| Surplus for the year                        | 24 511 607           | 24 511 607           |
| Total changes                               | 24 511 607           | 24 511 607           |
| <b>Restated* Balance at 01 July 2015</b>    | <b>4 543 094 476</b> | <b>4 543 094 476</b> |
| Changes in net assets                       |                      |                      |
| Surplus for the year                        | 149 670 869          | 149 670 869          |
| Total changes                               | 149 670 869          | 149 670 869          |
| <b>Balance at 30 June 2016</b>              | <b>4 692 765 345</b> | <b>4 692 765 345</b> |

Note(s)

23

The comparative amount for the accumulated surplus has been restated. Refer to prior period error note .

\* See Note 59 & 60



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

| Figures in Rand                                                                    | Note(s) | 2016                        | 2015<br>Restated*           |
|------------------------------------------------------------------------------------|---------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                                        |         |                             |                             |
| <b>Receipts</b>                                                                    |         |                             |                             |
| Sale of goods and services                                                         |         | 1 019 120 867               | 926 329 411                 |
| Grants                                                                             |         | 237 009 079                 | 142 929 335                 |
| Interest income                                                                    |         | 49 713 124                  | 40 186 078                  |
|                                                                                    |         | <u>1 305 843 070</u>        | <u>1 109 444 824</u>        |
| <b>Payments</b>                                                                    |         |                             |                             |
| Employee costs                                                                     |         | (392 495 097)               | (341 658 997)               |
| Suppliers                                                                          |         | (587 583 306)               | (456 665 448)               |
| Finance costs                                                                      |         | (20 390 548)                | (13 409 012)                |
|                                                                                    |         | <u>(1 000 468 951)</u>      | <u>(811 733 457)</u>        |
| <b>Net cash flows from operating activities</b>                                    | 46      | <u><b>305 374 119</b></u>   | <u><b>297 711 367</b></u>   |
| <b>Cash flows from investing activities</b>                                        |         |                             |                             |
| Purchase of property, plant and equipment                                          | 12      | (345 394 644)               | (227 787 047)               |
| Proceeds from sale of property, plant and equipment                                | 12      | -                           | 1 743 594                   |
| Purchase of other intangible assets                                                | 13      | (2 572 412)                 | (2 563 644)                 |
| Movement in investments (incl. Controlled entities, JVs & Assoc)                   |         | (480 000 000)               | -                           |
| Movement in non-current receivables                                                |         | 2 141 944                   | (4 157 506)                 |
| Proceeds from sale of biological assets that form part of an agricultural activity | 10      | 352 546                     | 557 838                     |
| <b>Net cash flows from investing activities</b>                                    |         | <u><b>(825 472 566)</b></u> | <u><b>(232 206 765)</b></u> |
| <b>Cash flows from financing activities</b>                                        |         |                             |                             |
| Proceeds from other financial liabilities                                          |         | 50 000 000                  | 50 000 000                  |
| Repayment of other financial liabilities                                           |         | (11 144 642)                | (11 002 587)                |
| <b>Net cash flows from financing activities</b>                                    |         | <u><b>38 855 358</b></u>    | <u><b>38 997 413</b></u>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |         | <u><b>(481 243 089)</b></u> | <u><b>104 502 015</b></u>   |
| Cash and cash equivalents at the beginning of the year                             |         | 609 430 081                 | 504 928 066                 |
| <b>Cash and cash equivalents at the end of the year</b>                            | 3       | <u><b>128 186 992</b></u>   | <u><b>609 430 081</b></u>   |

\* See Note 59 & 60

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Virements | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-----------|--------------|------------------------------------|--------------------------------------------|-----------|
|--|-----------------|-----------|--------------|------------------------------------|--------------------------------------------|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                                 |                    |           |                    |                    |                    |      |
|-------------------------------------------------|--------------------|-----------|--------------------|--------------------|--------------------|------|
| Service charges                                 | 664 920 920        | (986 260) | <b>663 934 660</b> | 705 713 720        | <b>41 779 060</b>  |      |
| Rental of facilities and equipment              | 18 110 200         | -         | <b>18 110 200</b>  | 16 790 832         | <b>(1 319 368)</b> |      |
| Interest earned - outstanding debtors           | 496 255            | -         | <b>496 255</b>     | 5 713 800          | <b>5 217 545</b>   | BD 1 |
| Agency services                                 | 2 100 000          | -         | <b>2 100 000</b>   | 1 906 917          | <b>(193 083)</b>   |      |
| Licences and permits                            | 7 361 789          | -         | <b>7 361 789</b>   | 7 238 690          | <b>(123 099)</b>   |      |
| Other income                                    | 24 761 292         | 986 260   | <b>25 747 552</b>  | 35 651 984         | <b>9 904 432</b>   | BD 2 |
| Interest received - investment                  | 43 527 635         | -         | <b>43 527 635</b>  | 49 713 124         | <b>6 185 489</b>   | BD 3 |
| <b>Total revenue from exchange transactions</b> | <b>761 278 091</b> | <b>-</b>  | <b>761 278 091</b> | <b>822 729 067</b> | <b>61 450 976</b>  |      |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                                    |             |   |                    |             |                    |      |
|------------------------------------|-------------|---|--------------------|-------------|--------------------|------|
| Property rates                     | 265 709 366 | - | <b>265 709 366</b> | 268 311 283 | <b>2 601 917</b>   |      |
| Property rates - penalties imposed | 6 097 940   | - | <b>6 097 940</b>   | 2 067 379   | <b>(4 030 561)</b> | BD 4 |

##### Transfer revenue

|                                                     |                    |          |                    |                    |                    |      |
|-----------------------------------------------------|--------------------|----------|--------------------|--------------------|--------------------|------|
| Government grants & subsidies                       | 235 951 000        | -        | <b>235 951 000</b> | 227 268 132        | <b>(8 682 868)</b> |      |
| Fines, penalties and forfeits                       | 71 258 589         | -        | <b>71 258 589</b>  | 90 712 510         | <b>19 453 921</b>  | BD 5 |
| <b>Total revenue from non-exchange transactions</b> | <b>579 016 895</b> | <b>-</b> | <b>579 016 895</b> | <b>588 359 304</b> | <b>9 342 409</b>   |      |

#### Total revenue

|                      |          |                      |                      |                   |  |
|----------------------|----------|----------------------|----------------------|-------------------|--|
| <b>1 340 294 986</b> | <b>-</b> | <b>1 340 294 986</b> | <b>1 411 088 371</b> | <b>70 793 385</b> |  |
|----------------------|----------|----------------------|----------------------|-------------------|--|

#### Expenditure

|                                            |                        |                         |                        |                        |                     |       |
|--------------------------------------------|------------------------|-------------------------|------------------------|------------------------|---------------------|-------|
| Employee related costs                     | (350 841 519)          | -                       | <b>(350 841 519)</b>   | (367 462 966)          | <b>(16 621 447)</b> |       |
| Remuneration of councillors                | (16 063 032)           | -                       | <b>(16 063 032)</b>    | (15 844 246)           | <b>218 786</b>      |       |
| Contribution to/from provisions            | (3 438 730)            | -                       | <b>(3 438 730)</b>     | (7 857 299)            | <b>(4 418 569)</b>  | BD 6  |
| Depreciation and amortisation              | (149 052 990)          | -                       | <b>(149 052 990)</b>   | (152 439 477)          | <b>(3 386 487)</b>  |       |
| Finance costs                              | (22 713 525)           | 500 000                 | <b>(22 213 525)</b>    | (20 390 548)           | <b>1 822 977</b>    |       |
| Contribution to from provisions            | (25 741 888)           | -                       | <b>(25 741 888)</b>    | (31 607 439)           | <b>(5 865 551)</b>  | BD 6  |
| Debt impairment                            | (20 727 592)           | -                       | <b>(20 727 592)</b>    | (69 067 236)           | <b>(48 339 644)</b> | BD 7  |
| Collection costs                           | (2 500 000)            | 300 000                 | <b>(2 200 000)</b>     | (1 849 167)            | <b>350 833</b>      | BD 8  |
| Repairs and maintenance                    | (84 762 015)           | 5 645 264               | <b>(79 116 751)</b>    | (54 657 830)           | <b>24 458 921</b>   | BD 9  |
| Bulk purchases                             | (323 733 997)          | (2 700 000)             | <b>(326 433 997)</b>   | (324 776 672)          | <b>1 657 325</b>    |       |
| Contracted services                        | (15 111 835)           | -                       | <b>(15 111 835)</b>    | (49 914 569)           | <b>(34 802 734)</b> | BD 10 |
| Transfers and subsidies                    | (8 175 230)            | -                       | <b>(8 175 230)</b>     | (6 215 883)            | <b>1 959 347</b>    | BD 11 |
| Other expenses                             | (261 801 067)          | (3 745 264)             | <b>(265 546 331)</b>   | (152 853 913)          | <b>112 692 418</b>  | BD 12 |
| <b>Total expenditure</b>                   | <b>(1 284 663 420)</b> | <b>-(1 284 663 420)</b> | <b>(1 284 663 420)</b> | <b>(1 254 937 245)</b> | <b>29 726 175</b>   |       |
| <b>Operating surplus</b>                   | <b>55 631 566</b>      | <b>-</b>                | <b>55 631 566</b>      | <b>156 151 126</b>     | <b>100 519 560</b>  |       |
| Loss on disposal of assets and liabilities | -                      | -                       | <b>-</b>               | (933 659)              | <b>(933 659)</b>    | BD 13 |
| Fair value adjustments                     | 9 250 000              | -                       | <b>9 250 000</b>       | (5 624 621)            | <b>(14 874 621)</b> | BD 18 |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                                                                                  | Approved<br>budget | Virements | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|------------------------------------------------------------------------------------------------------------------|--------------------|-----------|--------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                                                                  |                    |           |                    |                                          |                                                     |           |
| Gain on biological assets and<br>agricultural produce                                                            | 400 000            | -         | <b>400 000</b>     | 43 295                                   | <b>(356 705)</b>                                    | BD 14     |
| Inventories (losses/write-downs)<br>/ reversal of write downs                                                    | (7 740)            | -         | <b>(7 740)</b>     | 34 728                                   | <b>42 468</b>                                       | BD 15     |
|                                                                                                                  | <b>9 642 260</b>   | -         | <b>9 642 260</b>   | <b>(6 480 257)</b>                       | <b>(16 122 517)</b>                                 |           |
| <b>Surplus for the year</b>                                                                                      | <b>65 273 826</b>  | -         | <b>65 273 826</b>  | <b>149 670 869</b>                       | <b>84 397 043</b>                                   |           |
| Appropriation below the line                                                                                     | 98 334 070         | -         | <b>98 334 070</b>  | -                                        | <b>(98 334 070)</b>                                 |           |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>163 607 896</b> | -         | <b>163 607 896</b> | <b>149 670 869</b>                       | <b>(13 937 027)</b>                                 |           |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Virements | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-----------|--------------|------------------------------------------|-----------------------------------------------------|-----------|
|--|--------------------|-----------|--------------|------------------------------------------|-----------------------------------------------------|-----------|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|                           |                    |   |                    |                    |                    |       |
|---------------------------|--------------------|---|--------------------|--------------------|--------------------|-------|
| Inventories               | 6 837 800          | - | 6 837 800          | 34 658 109         | 27 820 309         | BD 16 |
| Long term receivables     | 25 237             | - | 25 237             | 1 387 174          | 1 361 937          | BD 17 |
| Other debtors             | 69 226 400         | - | 69 226 400         | 124 325 371        | 55 098 971         | BD 18 |
| Consumer debtors          | 90 949 411         | - | 90 949 411         | 112 194 058        | 21 244 647         | BD 19 |
| Short term investments    | 432 754 672        | - | 432 754 672        | 480 000 000        | 47 245 328         | BD 20 |
| Cash and cash equivalents | 45 533 829         | - | 45 533 829         | 128 186 992        | 82 653 163         | BD 20 |
|                           | <b>645 327 349</b> | - | <b>645 327 349</b> | <b>880 751 704</b> | <b>235 424 355</b> |       |

##### Non-Current Assets

|                                                              |                      |   |                      |                      |                      |       |
|--------------------------------------------------------------|----------------------|---|----------------------|----------------------|----------------------|-------|
| Biological assets that form part of an agricultural activity | 11 545 138           | - | 11 545 138           | 8 907 000            | (2 638 138)          | BD 21 |
| Investment property                                          | 555 042 825          | - | 555 042 825          | 413 958 231          | (141 084 594)        | BD 22 |
| Property, plant and equipment                                | 4 332 036 345        | - | 4 332 036 345        | 4 173 691 900        | (158 344 445)        |       |
| Intangible assets                                            | 12 028 228           | - | 12 028 228           | 6 777 133            | (5 251 095)          | BD 23 |
| Heritage assets                                              | 724 002              | - | 724 002              | 724 002              | -                    |       |
| Long term receivables                                        | 1 802 399            | - | 1 802 399            | 2 188 000            | 385 601              | BD 17 |
|                                                              | <b>4 913 178 937</b> | - | <b>4 913 178 937</b> | <b>4 606 246 266</b> | <b>(306 932 671)</b> |       |

#### Total Assets

|                      |   |                      |                      |                     |  |
|----------------------|---|----------------------|----------------------|---------------------|--|
| <b>5 558 506 286</b> | - | <b>5 558 506 286</b> | <b>5 486 997 970</b> | <b>(71 508 316)</b> |  |
|----------------------|---|----------------------|----------------------|---------------------|--|

#### Liabilities

##### Current Liabilities

|                                         |                    |   |                    |                    |                   |       |
|-----------------------------------------|--------------------|---|--------------------|--------------------|-------------------|-------|
| Other financial liabilities             | 11 957 516         | - | 11 957 516         | 11 908 295         | (49 221)          |       |
| Operating lease liability               | 1 969 369          | - | 1 969 369          | 2 074 649          | 105 280           |       |
| Payables from exchange transactions     | 217 473 119        | - | 217 473 119        | 203 602 924        | (13 870 195)      |       |
| Consumer deposits                       | 11 589 632         | - | 11 589 632         | 13 191 374         | 1 601 742         | BD 24 |
| Employee benefit obligations            | 61 370 632         | - | 61 370 632         | 39 327 768         | (22 042 864)      | BD 6  |
| Unspent conditional grants and receipts | -                  | - | -                  | 46 820 691         | 46 820 691        | BD 25 |
| Provisions                              | -                  | - | -                  | 6 812 128          | 6 812 128         | BD 26 |
|                                         | <b>304 360 268</b> | - | <b>304 360 268</b> | <b>323 737 829</b> | <b>19 377 561</b> |       |

##### Non-Current Liabilities

|                              |                    |   |                    |                    |                   |       |
|------------------------------|--------------------|---|--------------------|--------------------|-------------------|-------|
| Other financial liabilities  | 200 299 439        | - | 200 299 439        | 186 386 067        | (13 913 372)      |       |
| Employee benefit obligations | 200 025 231        | - | 200 025 231        | 207 825 478        | 7 800 247         | BD 6  |
| Provisions                   | 36 840 062         | - | 36 840 062         | 76 283 251         | 39 443 189        | BD 26 |
|                              | <b>437 164 732</b> | - | <b>437 164 732</b> | <b>470 494 796</b> | <b>33 330 064</b> |       |

#### Total Liabilities

|                    |   |                    |                    |                   |  |
|--------------------|---|--------------------|--------------------|-------------------|--|
| <b>741 525 000</b> | - | <b>741 525 000</b> | <b>794 232 625</b> | <b>52 707 625</b> |  |
|--------------------|---|--------------------|--------------------|-------------------|--|

#### Net Assets

|                      |   |                      |                      |                      |  |
|----------------------|---|----------------------|----------------------|----------------------|--|
| <b>4 816 981 286</b> | - | <b>4 816 981 286</b> | <b>4 692 765 345</b> | <b>(124 215 941)</b> |  |
|----------------------|---|----------------------|----------------------|----------------------|--|

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                                                                    | Approved<br>budget | Virements | Final Budget    | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--------------------------------------------------------------------|--------------------|-----------|-----------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                    |                    |           |                 |                                          |                                                     |           |
| <b>Net Assets</b>                                                  |                    |           |                 |                                          |                                                     |           |
| <b>Net Assets Attributable to<br/>Owners of Controlling Entity</b> |                    |           |                 |                                          |                                                     |           |
| <b>Reserves</b>                                                    |                    |           |                 |                                          |                                                     |           |
| Accumulated surplus                                                | 4 816 981 286      |           | - 4 816 981 286 | 4 692 765 345                            | (124 215 941)                                       |           |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Virements | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--|--------------------|-----------|--------------|------------------------------------------|-----------------------------------------------------|-----------|
|--|--------------------|-----------|--------------|------------------------------------------|-----------------------------------------------------|-----------|

Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

|                            |                      |   |                      |                      |                    |      |
|----------------------------|----------------------|---|----------------------|----------------------|--------------------|------|
| Sale of goods and services | 989 781 737          | - | <b>989 781 737</b>   | 1 019 120 867        | <b>29 339 130</b>  | CF 1 |
| Grants-operation           | 115 759 195          | - | <b>115 759 195</b>   | 123 287 401          | <b>7 528 206</b>   |      |
| Interest income            | 46 347 291           | - | <b>46 347 291</b>    | 49 713 124           | <b>3 365 833</b>   | CF 2 |
| Grant- capital             | 120 191 805          | - | <b>120 191 805</b>   | 113 721 678          | <b>(6 470 127)</b> |      |
|                            | <b>1 272 080 028</b> | - | <b>1 272 080 028</b> | <b>1 305 843 070</b> | <b>33 763 042</b>  |      |

##### Payments

|                              |                        |   |                        |                        |                   |      |
|------------------------------|------------------------|---|------------------------|------------------------|-------------------|------|
| Suppliers and employee costs | (1 014 475 163)        | - | <b>(1 014 475 163)</b> | (973 862 520)          | <b>40 612 643</b> | CF 3 |
| Finance costs                | (22 713 525)           | - | <b>(22 713 525)</b>    | (20 390 548)           | <b>2 322 977</b>  | CF 4 |
| Transfers and Grants         | (8 175 230)            | - | <b>(8 175 230)</b>     | (6 215 883)            | <b>1 959 347</b>  | CF 5 |
|                              | <b>(1 045 363 918)</b> | - | <b>(1 045 363 918)</b> | <b>(1 000 468 951)</b> | <b>44 894 967</b> |      |

#### Net cash flows from operating activities

|                    |   |                    |                    |                   |  |
|--------------------|---|--------------------|--------------------|-------------------|--|
| <b>226 716 110</b> | - | <b>226 716 110</b> | <b>305 374 119</b> | <b>78 658 009</b> |  |
|--------------------|---|--------------------|--------------------|-------------------|--|

#### Cash flows from investing activities

|                                                                                    |                      |   |                      |                      |                      |      |
|------------------------------------------------------------------------------------|----------------------|---|----------------------|----------------------|----------------------|------|
| Capital assets                                                                     | (433 233 145)        | - | <b>(433 233 145)</b> | (345 394 644)        | <b>87 838 501</b>    | CF 6 |
| Purchase of other intangible assets                                                | (3 950 000)          | - | <b>(3 950 000)</b>   | (2 572 413)          | <b>1 377 587</b>     | CF 6 |
| Movement in investments (incl. Controlled entities, JVs & Assoc)                   | -                    | - | -                    | (480 000 000)        | <b>(480 000 000)</b> | CF 7 |
| Proceeds from sale of biological assets that form part of an agricultural activity | -                    | - | -                    | 352 547              | <b>352 547</b>       | CF 8 |
| Proceeds from long term receivables                                                | -                    | - | -                    | 2 141 944            | <b>2 141 944</b>     | CF 9 |
|                                                                                    | <b>(437 183 145)</b> | - | <b>(437 183 145)</b> | <b>(825 472 566)</b> | <b>(388 289 421)</b> |      |

#### Cash flows from financing activities

|                                           |                   |   |                    |                   |                     |      |
|-------------------------------------------|-------------------|---|--------------------|-------------------|---------------------|------|
| Proceeds from other financial liabilities | 88 000 000        | - | <b>88 000 000</b>  | 50 000 000        | <b>(38 000 000)</b> | CF 4 |
| Borrowing long term/refinancing           | (6 974 539)       | - | <b>(6 974 539)</b> | (11 144 642)      | <b>(4 170 103)</b>  | CF 4 |
|                                           | <b>81 025 455</b> | - | <b>81 025 455</b>  | <b>38 855 358</b> | <b>(42 170 103)</b> |      |

#### Net increase/(decrease) in cash and cash equivalents

|                      |   |                      |                      |                      |  |
|----------------------|---|----------------------|----------------------|----------------------|--|
| <b>(129 441 580)</b> | - | <b>(129 441 580)</b> | <b>(481 243 089)</b> | <b>(351 801 515)</b> |  |
|----------------------|---|----------------------|----------------------|----------------------|--|

#### Cash and cash equivalents at the end of the year

|                      |   |                      |                      |                      |  |
|----------------------|---|----------------------|----------------------|----------------------|--|
| <b>(129 441 580)</b> | - | <b>(129 441 580)</b> | <b>(481 243 089)</b> | <b>(351 801 515)</b> |  |
|----------------------|---|----------------------|----------------------|----------------------|--|

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note 59 Changes in accounting policy.

#### 1.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### 1.2 Internal reserves

##### Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

##### Self insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

##### Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Revenue recognition

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Impairment of financial assets

Accounting Policy 1.9: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

#### Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.6 and 1.7 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are reassessed annually.

#### Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

#### Impairment of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based in the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

#### Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

#### Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 20 - Provisions.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

---

### 1.4 Biological assets that form part of an agricultural activity (continued)

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

| Item                         | Useful life |
|------------------------------|-------------|
| Trees in a plantation forest | indefinite  |

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item                 | Useful life |
|----------------------|-------------|
| Property - buildings | 30-99 years |
| Property - land      | indefinite  |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality; and
- the cost or fair value of the item can be determined reliably.

#### Measurement

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

#### Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready to be used.

#### Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

| Item                                | Average useful life |
|-------------------------------------|---------------------|
| Land and Buildings                  |                     |
| • Land                              | indefinite          |
| • Buildings                         | 30-99               |
| Infrastructure assets               |                     |
| • Roads and paving                  | 10-100              |
| • Electricity                       | 10-50               |
| • Water                             | 10-100              |
| • Sewerage                          | 10-100              |
| • Housing                           | 30                  |
| Community assets                    |                     |
| • Improvements                      | 30                  |
| • Recreational facilities           | 20-30               |
| • Security                          | 5                   |
| Capital restoration asset           |                     |
| • Landfill site                     | 5-30                |
| Other property, plant and equipment |                     |
| • Watercraft                        | 15                  |
| • Specialised plant and equipment   | 10-15               |
| • Other plant and equipment         | 2-5                 |
| • Specialised vehicles              | 10                  |
| • Office equipment                  | 1-7                 |
| • Bins and containers               | 5                   |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

---

### 1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially measured at cost.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item              | Useful life |
|-------------------|-------------|
| Computer software | 3 years     |
| Databases         | 30 years    |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

# Stellenbosch Municipality

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## Accounting Policies

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### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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### 1.9 Financial instruments (continued)

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                                        | Category                                   |
|----------------------------------------------|--------------------------------------------|
| Receivables from exchange transactions       | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions   | Financial asset measured at amortised cost |
| Cash and cash equivalents                    | Financial asset measured at amortised cost |
| Other receivables from exchange transactions | Financial asset measured at amortised cost |

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                               | Category                                       |
|-------------------------------------|------------------------------------------------|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits                   | Financial liability measured at amortised cost |
| Other financial liabilities         | Financial liability measured at amortised cost |
| Operating lease liability           | Financial liability measured at amortised cost |

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data..

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.



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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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### 1.10 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

### 1.13 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Stellenbosch Municipality

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### 1.13 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.14 Employee benefits

#### Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

# Stellenbosch Municipality

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

# Stellenbosch Municipality

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## Accounting Policies

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### 1.14 Employee benefits (continued)

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

# Stellenbosch Municipality

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### 1.14 Employee benefits (continued)

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

#### **Provision for the rehabilitation of landfill sites**

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### Provisions and contingencies (continued)

#### Provision for constructive obligations

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

#### Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

#### Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

### 1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

#### Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

#### Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and to the extent that there has been compliance with the relevant legal requirements (if applicable).

### 1.18 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

### 1.19 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### 1.20 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.20 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.20 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 59 and 60 for detail.

### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.26 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by Municipal Manager.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.28 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.29 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.30 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

### 1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets**

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

##### **GRAP 26 (as amended 2015): Impairment of Cash-generating Assets**

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015.

The municipality has adopted the improvements for the first time in the 2016 annual financial statements.

The impact of the improvements is not material.

#### GRAP 23 (as amended 2015): Revenue From Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.



## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the standard.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **GRAP 16 (as amended 2015): Investment Property**

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 17 (as amended 2015): Property, Plant and Equipment**

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                   | 2016               | 2015<br>Restated*  |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>3. Cash and cash equivalents</b>                                                                                                               |                    |                    |
| Cash and cash equivalents consist of:                                                                                                             |                    |                    |
| Cash on hand                                                                                                                                      | 8 210              | 14 210             |
| Bank balances                                                                                                                                     | 7 939 387          | 16 767 937         |
| Current investment deposits                                                                                                                       | 120 239 395        | 592 647 934        |
|                                                                                                                                                   | <b>128 186 992</b> | <b>609 430 081</b> |
| Call deposits are investments with a maturity period between 3 and 12 months and earn interest varying from 6.9% to 8.25% per annum.              |                    |                    |
| Included under current investment deposit is an investment with the New Republic Bank that is currently under curatorship amounting to R 170 839. |                    |                    |
| <b>Current investment deposits</b>                                                                                                                |                    |                    |
| New Republic Bank                                                                                                                                 | 170 839            | 170 839            |
| Short-term investments                                                                                                                            | 120 068 556        | 592 477 095        |
|                                                                                                                                                   | <b>120 239 395</b> | <b>592 647 934</b> |
| Short-term investments consist of:                                                                                                                |                    |                    |
| <b>Investec - investment</b>                                                                                                                      |                    |                    |
| Opening balance                                                                                                                                   | -                  | -                  |
| Movement for the year                                                                                                                             | 40 000 000         | -                  |
|                                                                                                                                                   | <b>40 000 000</b>  | <b>-</b>           |
| <b>Sanlam - investment</b>                                                                                                                        |                    |                    |
| Opening balance                                                                                                                                   | 592 477 095        | 490 911 571        |
| Movement for the year                                                                                                                             | (592 408 539)      | 101 565 524        |
|                                                                                                                                                   | <b>68 556</b>      | <b>592 477 095</b> |
| <b>Standard Bank - investment</b>                                                                                                                 |                    |                    |
| Opening balance                                                                                                                                   | -                  | -                  |
| Movement for the year                                                                                                                             | 80 000 000         | -                  |
|                                                                                                                                                   | <b>80 000 000</b>  | <b>-</b>           |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number /<br>description                                                   | Bank statement balances |                          |                          | Cash book balances      |                          |                          |
|-----------------------------------------------------------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
|                                                                                   | 30 June 2016            | 30 June 2015             | 30 June 2014             | 30 June 2016            | 30 June 2015             | 30 June 2014             |
| ABSA BANK - Stellenbosch<br>Branch - Primary Bank<br>Account - 410 188 031        | 7 116 052               | 15 895 995               | 13 149 135               | 7 939 387               | 16 767 936               | 14 258 940               |
| ABSA BANK - Stellenbosch<br>Branch - Municipal Service<br>Account - 407 007 5635  | -                       | -                        | -                        | -                       | -                        | -                        |
| ABSA BANK - Stellenbosch<br>Branch - Municipal Services<br>Account - 407 007 5635 | -                       | -                        | -                        | -                       | -                        | -                        |
| ABSA Bank - Stellenbosch<br>Branch - Traffic Account -<br>407 157 9787            | -                       | -                        | -                        | -                       | -                        | -                        |
| <b>Total</b>                                                                      | <b><u>7 116 052</u></b> | <b><u>15 895 995</u></b> | <b><u>13 149 135</u></b> | <b><u>7 939 387</u></b> | <b><u>16 767 936</u></b> | <b><u>14 258 940</u></b> |

Included in cash and cash equivalents, an amount of R 100 000 is held as guarantee at the Post Office.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                  | 2016                | 2015<br>Restated*   |
|--------------------------------------------------|---------------------|---------------------|
| <b>4. Receivables from exchange transactions</b> |                     |                     |
| <b>Gross balances</b>                            |                     |                     |
| Electricity                                      | 31 265 212          | 26 082 117          |
| Water                                            | 48 081 583          | 48 202 259          |
| Sewerage                                         | 15 616 792          | 16 082 769          |
| Refuse                                           | 16 151 428          | 16 516 295          |
| Housing rental                                   | 11 989 464          | 14 116 340          |
| Sundry                                           | 13 593 265          | 11 757 009          |
|                                                  | <b>136 697 744</b>  | <b>132 756 789</b>  |
| <b>Less: Allowance for impairment</b>            |                     |                     |
| Electricity                                      | (2 225 237)         | (2 303 357)         |
| Water                                            | (21 021 546)        | (25 949 989)        |
| Sewerage                                         | (7 292 877)         | (9 144 451)         |
| Refuse                                           | (8 426 828)         | (10 417 711)        |
| Housing rental                                   | (9 270 281)         | (12 941 443)        |
| Sundry                                           | (3 627 273)         | (2 168 975)         |
|                                                  | <b>(51 864 042)</b> | <b>(62 925 926)</b> |
| <b>Net balance</b>                               |                     |                     |
| Electricity                                      | 29 039 975          | 23 778 760          |
| Water                                            | 27 060 037          | 22 252 270          |
| Sewerage                                         | 8 323 915           | 6 938 318           |
| Refuse                                           | 7 724 600           | 6 098 584           |
| Housing rental                                   | 2 719 183           | 1 174 897           |
| Sundry                                           | 9 965 992           | 9 588 034           |
|                                                  | <b>84 833 702</b>   | <b>69 830 863</b>   |
| <b>Electricity</b>                               |                     |                     |
| Current (0 -30 days)                             | 26 396 974          | 21 450 880          |
| 31 - 60 days                                     | 174 479             | 149 351             |
| 61 - 90 days                                     | 112 084             | 130 649             |
| 91 - 120 days                                    | 201 485             | 118 708             |
| 121 - 365 days                                   | 614 090             | 1 137 130           |
| > 365 days                                       | 3 766 100           | 3 095 399           |
|                                                  | <b>31 265 212</b>   | <b>26 082 117</b>   |
| <b>Water</b>                                     |                     |                     |
| Current (0 -30 days)                             | 12 821 051          | 11 397 158          |
| 31 - 60 days                                     | 1 284 646           | 2 073 287           |
| 61 - 90 days                                     | 1 421 850           | 2 177 620           |
| 91 - 120 days                                    | 1 292 884           | 1 698 570           |
| 121 - 365 days                                   | 5 336 658           | 8 857 631           |
| > 365 days                                       | 25 924 494          | 21 997 993          |
|                                                  | <b>48 081 583</b>   | <b>48 202 259</b>   |
| <b>Sewerage</b>                                  |                     |                     |
| Current (0 -30 days)                             | 3 725 170           | 3 386 398           |
| 31 - 60 days                                     | 280 807             | 519 976             |
| 61 - 90 days                                     | 278 915             | 504 871             |
| 91 - 120 days                                    | 487 546             | 453 671             |
| 121 - 365 days                                   | 2 030 889           | 3 179 922           |
| > 365 days                                       | 8 813 465           | 8 037 931           |
|                                                  | <b>15 616 792</b>   | <b>16 082 769</b>   |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                              | 2016                | 2015<br>Restated*   |
|--------------------------------------------------------------|---------------------|---------------------|
| <b>4. Receivables from exchange transactions (continued)</b> |                     |                     |
| <b>Refuse</b>                                                |                     |                     |
| Current (0 -30 days)                                         | 2 853 651           | 2 779 224           |
| 31 - 60 days                                                 | 325 513             | 538 308             |
| 61 - 90 days                                                 | 306 894             | 523 627             |
| 91 - 120 days                                                | 352 631             | 464 935             |
| 121 - 365 days                                               | 2 329 786           | 3 386 469           |
| > 365 days                                                   | 9 982 953           | 8 823 732           |
|                                                              | <b>16 151 428</b>   | <b>16 516 295</b>   |
| <b>Housing rental</b>                                        |                     |                     |
| Current (0 -30 days)                                         | 941 176             | 490 013             |
| 31 - 60 days                                                 | 384 675             | 479 233             |
| 61 - 90 days                                                 | 371 054             | 472 240             |
| 91 - 120 days                                                | 354 241             | 470 792             |
| 121 - 365 days                                               | 1 469 105           | 3 408 767           |
| > 365 days                                                   | 8 469 213           | 8 795 295           |
|                                                              | <b>11 989 464</b>   | <b>14 116 340</b>   |
| <b>Sundry</b>                                                |                     |                     |
| Current (0 -30 days)                                         | 3 936 587           | 3 046 249           |
| 31 - 60 days                                                 | 184 589             | 196 940             |
| 61 - 90 days                                                 | 677 089             | 1 133 335           |
| 91 - 120 days                                                | 327 261             | 249 534             |
| 121 - 365 days                                               | 1 688 332           | 1 403 746           |
| > 365 days                                                   | 6 779 407           | 5 727 205           |
|                                                              | <b>13 593 265</b>   | <b>11 757 009</b>   |
| <b>Reconciliation of allowance for impairment</b>            |                     |                     |
| Balance at beginning of the year                             | (62 925 926)        | (43 520 278)        |
| Contributions to allowance                                   | 11 061 884          | (19 405 648)        |
|                                                              | <b>(51 864 042)</b> | <b>(62 925 926)</b> |

### Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2016, receivables from exchange transactions of R 39 717 452 (2015: R 38 181 848) were past due not impaired.

### Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                       | 2016             | 2015<br>Restated* |                   |                   |
|-------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
| 4. Receivables from exchange transactions (continued) |                  |                   |                   |                   |
| Government debt as at 30 June 2016                    |                  |                   |                   |                   |
| Department responsible for debt                       | Services         | Penalties         | Sundry            | Total             |
| Nat. dept of Public Works                             | 204 976          | 723               | 696 037           | 901 736           |
| Prov. dept of Transport and Public Works              | 951 694          | 4 678             | 14 037            | 970 409           |
| Western Cape education department                     | 362 498          | 20 884            | 190               | 383 572           |
| Health                                                | 348              | -                 | -                 | 348               |
| Dept of local government and housing                  | 81 951           | 530               | 7 995             | 90 476            |
| Other government departments                          | 887 981          | 1 775             | 8 410             | 898 166           |
|                                                       | <b>2 489 448</b> | <b>28 590</b>     | <b>726 669</b>    | <b>3 244 707</b>  |
| 5. Other receivables from exchange transactions       |                  |                   |                   |                   |
| Accrued income                                        |                  |                   | 51 664 934        | 46 801 439        |
| Deposits                                              |                  |                   | 343 938           | 338 472           |
| Insurance debtor                                      |                  |                   | 93 763            | 449 223           |
| Interest receivable                                   |                  |                   | 3 973 354         | -                 |
| Other receivables                                     |                  |                   | 205 756           | 1 238 209         |
| Prepayments                                           |                  |                   | 2 730 036         | 2 834 197         |
| Public safety account                                 |                  |                   | 360 762           | 105 925           |
|                                                       |                  |                   | <b>59 372 543</b> | <b>51 767 465</b> |
| 6. Inventories                                        |                  |                   |                   |                   |
| Consumable stores                                     |                  |                   | 13 844 210        | 8 528 706         |
| Land inventory                                        |                  |                   | 20 379 844        | 12 719 844        |
| Water                                                 |                  |                   | 434 055           | 383 750           |
|                                                       |                  |                   | <b>34 658 109</b> | <b>21 632 300</b> |

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. The total carrying amount relating to inventories amount to R 34 658 109 (2015 : R 21 632 300).

The amount of inventory reversed / (written down) is R 34 728 (2015: R (39 084)) and is recognised as an income / expense and an increase / reduction in the carrying value of inventories. The circumstances relating to the reversal / write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted R 3 058 456 (2015: R 6 295 142). Refer to note 12.

Inventory expensed for the year is R 33 730 404 (2015: R 31 461 595).

No inventories were pledged as security for liabilities.

## 7. Receivables from non-exchange transactions

Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                  | 2016                | 2015<br>Restated*   |
|------------------------------------------------------------------|---------------------|---------------------|
| <b>7. Receivables from non-exchange transactions (continued)</b> |                     |                     |
| <b>Gross balances</b>                                            |                     |                     |
| Capital receivables                                              | 6 902 795           | 7 060 414           |
| Fines                                                            | 114 358 769         | 91 618 554          |
| Other receivables                                                | 651 825             | 553 548             |
| Property rates                                                   | 32 546 104          | 35 461 285          |
|                                                                  | <b>154 459 493</b>  | <b>134 693 801</b>  |
| <b>Less: Allowance for impairment</b>                            |                     |                     |
| Fines                                                            | (89 222 588)        | (66 443 265)        |
| Property rates                                                   | (5 185 748)         | (6 509 625)         |
|                                                                  | <b>(94 408 336)</b> | <b>(72 952 890)</b> |
| <b>Net balances</b>                                              |                     |                     |
| Capital receivables                                              | 6 902 795           | 7 060 414           |
| Fines                                                            | 25 136 181          | 25 175 289          |
| Other receivables                                                | 651 825             | 553 548             |
| Property rates                                                   | 27 360 356          | 28 951 660          |
|                                                                  | <b>60 051 157</b>   | <b>61 740 911</b>   |
| <b>Fines</b>                                                     |                     |                     |
| Current (0 -30 days)                                             | 5 717 938           | 4 580 928           |
| 31 - 60 days                                                     | 8 005 114           | 6 413 299           |
| 61 - 90 days                                                     | 6 861 526           | 5 497 113           |
| 91 - 120 days                                                    | 5 717 938           | 4 580 928           |
| 121 - 365 days                                                   | 36 594 806          | 29 317 937          |
| > 365 days                                                       | 51 461 447          | 41 228 349          |
|                                                                  | <b>114 358 769</b>  | <b>91 618 554</b>   |
| <b>Capital receivables</b>                                       |                     |                     |
| Current (0 -30 days)                                             | -                   | 3 702 703           |
| > 365 days                                                       | 6 902 795           | 3 357 711           |
|                                                                  | <b>6 902 795</b>    | <b>7 060 414</b>    |
| <b>Property rates</b>                                            |                     |                     |
| Current (0 -30 days)                                             | 13 211 560          | 11 522 715          |
| 31 - 60 days                                                     | 528 642             | 593 212             |
| 61 - 90 days                                                     | 634 097             | 505 261             |
| 91 - 120 days                                                    | 310 345             | 458 332             |
| 121 - 365 days                                                   | 3 379 388           | 6 003 580           |
| > 365 days                                                       | 14 482 072          | 16 378 185          |
|                                                                  | <b>32 546 104</b>   | <b>35 461 285</b>   |
| <b>Other receivables from non-exchange revenue</b>               |                     |                     |
| Current (0 -30 days)                                             | -                   | 350 987             |
| > 365 days                                                       | 651 825             | 202 561             |
|                                                                  | <b>651 825</b>      | <b>553 548</b>      |



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 7. Receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment for receivables from non-exchange transactions

##### Reconciliation of allowance for impairment: Fines

|                            |                     |                     |
|----------------------------|---------------------|---------------------|
| Opening balance            | (66 443 265)        | (68 095 365)        |
| Contributions to allowance | (22 779 324)        | 1 652 100           |
|                            | <b>(89 222 589)</b> | <b>(66 443 265)</b> |

##### Reconciliation of allowance for impairment: Rates

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Opening balance            | (6 509 625)        | (3 593 612)        |
| Contributions to allowance | 1 323 876          | (2 916 013)        |
|                            | <b>(5 185 749)</b> | <b>(6 509 625)</b> |

#### Government debt as at 30 June 2016

|                                          | Rates          | Penalties     | Total          |
|------------------------------------------|----------------|---------------|----------------|
| Nat. dept of Public Works                | 245 012        | 44 154        | 289 166        |
| Prov. dept of Transport and Public Works | 42 593         | 6 631         | 49 224         |
| Western Cape education department        | -              | -             | -              |
| Health                                   | -              | -             | -              |
| Dept of local government and housing     | 134 776        | 6 119         | 140 895        |
| Other government departments             | -              | -             | -              |
|                                          | <b>422 381</b> | <b>56 904</b> | <b>479 285</b> |

The Council regards receivables from non-exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2016, receivables from exchange transactions of R 14 760 785 (2015: R 19 910 958) were past due not impaired.

### 8. VAT receivable

|                                |            |            |
|--------------------------------|------------|------------|
| South African Revenue Services | 32 262 026 | 13 335 673 |
|--------------------------------|------------|------------|

### 9. Short term investments

#### Loans and receivables

|                      |             |   |
|----------------------|-------------|---|
| Other fixed deposits | 480 000 000 | - |
|----------------------|-------------|---|

#### Non-current assets

|             |   |   |
|-------------|---|---|
| Investments | - | - |
|-------------|---|---|

#### Current assets

|                                   |             |   |
|-----------------------------------|-------------|---|
| Short-term portion of Investments | 480 000 000 | - |
|-----------------------------------|-------------|---|

Short term fixed deposits are made with various banks for a period from 1 - 12 months. The interest rates earned equals 8.25%.

Short term investments consists of the following:

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                              | 2016        | 2015<br>Restated* |
|----------------------------------------------|-------------|-------------------|
| <b>9. Short term investments (continued)</b> |             |                   |
| <b>ABSA - Investments</b>                    |             |                   |
| Other fixed deposits                         | 120 000 000 | -                 |
| <b>FNB - Investments</b>                     |             |                   |
| Other fixed deposits                         | 120 000 000 | -                 |
| <b>Nedbank - Investments</b>                 |             |                   |
| Other fixed deposits                         | 120 000 000 | -                 |
| <b>Standard Bank - Investments</b>           |             |                   |
| Other fixed deposits                         | 120 000 000 | -                 |

## 10. Biological assets that form part of an agricultural activity

|                              | 2016                |                                                              |                | 2015                |                                                              |                |
|------------------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                              | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Trees in a plantation forest | 8 907 000           | -                                                            | 8 907 000      | 10 659 185          | -                                                            | 10 659 185     |

### Reconciliation of biological assets that form part of an agricultural activity - 2016

|                              | Opening<br>balance | Decreases<br>due to harvest | Fair value<br>(decrease)<br>/increase | Total     |
|------------------------------|--------------------|-----------------------------|---------------------------------------|-----------|
| Trees in a plantation forest | 10 659 185         | (309 251)                   | (1 442 934)                           | 8 907 000 |

### Reconciliation of biological assets that form part of an agricultural activity - 2015

|                              | Opening<br>balance | Decreases<br>due to harvest | Fair value<br>(decrease)<br>/increase | Total      |
|------------------------------|--------------------|-----------------------------|---------------------------------------|------------|
| Trees in a plantation forest | 10 808 106         | (473 942)                   | 325 021                               | 10 659 185 |

### Non - Financial information

| 2016<br>Nature and quantities of each<br>biological asset | Opening<br>Balance | Decrease due<br>to Harvest | Fair value<br>(decrease)<br>/increase | Closing<br>balance |
|-----------------------------------------------------------|--------------------|----------------------------|---------------------------------------|--------------------|
| Botmanskop Plantation                                     | 4 548 068          | -                          | (634 068)                             | 3 914 000          |
| Paradyskloof Plantation                                   | 6 111 117          | (309 251)                  | (808 866)                             | 4 993 000          |
|                                                           | <b>10 659 185</b>  | <b>(309 251)</b>           | <b>(1 442 934)</b>                    | <b>8 907 000</b>   |
| 2015<br>Nature and quantities of each<br>biological asset | Opening<br>balance | Decrease due<br>to harvest | Fair value<br>(decrease)<br>/increase | Closing<br>balance |
| Botmanskop Plantation                                     | 3 984 452          | -                          | 563 616                               | 4 548 068          |
| Paradyskloof Plantation                                   | 6 823 654          | (473 942)                  | (238 595)                             | 6 111 117          |
|                                                           | <b>10 808 106</b>  | <b>(473 942)</b>           | <b>325 021</b>                        | <b>10 659 185</b>  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 10. Biological assets that form part of an agricultural activity (continued)

The determination of fair value was as follow:

#### Principle:

Price determination: was done on the basis of current sale value of the tender for the current year i.e. R500/m<sup>3</sup> excluding 14% VAT. This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m<sup>3</sup>/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

#### Description of the Biological Assets

- |                                      |                                                                                               |
|--------------------------------------|-----------------------------------------------------------------------------------------------|
| 1. Botmanskop plantation (Block E)   | Some compartments remain which can be harvested at a later stage due to the age of the trees. |
| 2. Paradyskloof plantation (Block G) | Some compartments remain which can be harvested at a later stage due to the age of the trees. |

#### Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

### 11. Investment property

|                     | 2016             |                                                     |                | 2015             |                                                     |                |
|---------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
|                     | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 424 977 732      | (11 019 501)                                        | 413 958 231    | 424 977 732      | (10 766 913)                                        | 414 210 819    |

#### Reconciliation of investment property - 2016

|                     | Opening balance | Impairments | Depreciation | Total       |
|---------------------|-----------------|-------------|--------------|-------------|
| Investment property | 414 210 819     | -           | (252 588)    | 413 958 231 |

#### Reconciliation of investment property - 2015

|                     | Opening balance | Impairments | Depreciation | Total       |
|---------------------|-----------------|-------------|--------------|-------------|
| Investment property | 416 747 715     | (2 285 000) | (251 896)    | 414 210 819 |

#### Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 12. Property, plant and equipment

|                                     | 2016                 |                                                              |                      | 2015                 |                                                              |                      |
|-------------------------------------|----------------------|--------------------------------------------------------------|----------------------|----------------------|--------------------------------------------------------------|----------------------|
|                                     | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| Land and buildings                  | 731 853 534          | (55 749 485)                                                 | 676 104 049          | 733 757 168          | (51 535 825)                                                 | 682 221 343          |
| Infrastructure                      | 4 150 595 954        | (824 641 443)                                                | 3 325 954 511        | 3 842 037 051        | (706 174 433)                                                | 3 135 862 618        |
| Community assets                    | 73 461 618           | (12 265 123)                                                 | 61 196 495           | 59 593 748           | (9 770 964)                                                  | 49 822 784           |
| Capital restoration asset           | 14 758 547           | (8 345 133)                                                  | 6 413 414            | 14 257 304           | (5 980 263)                                                  | 8 277 041            |
| Other property, plant and equipment | 241 917 455          | (137 894 024)                                                | 104 023 431          | 229 536 567          | (121 326 018)                                                | 108 210 549          |
| <b>Total</b>                        | <b>5 212 587 108</b> | <b>(1 038 895 208)</b>                                       | <b>4 173 691 900</b> | <b>4 879 181 838</b> | <b>(894 787 503)</b>                                         | <b>3 984 394 335</b> |

### Reconciliation of property, plant and equipment - 2016

|                                     | Opening<br>balance   | Additions          | Disposals        | Transfers          | Changes in<br>existing<br>restoration<br>costs | Depreciation         | Impairment<br>loss | Total                |
|-------------------------------------|----------------------|--------------------|------------------|--------------------|------------------------------------------------|----------------------|--------------------|----------------------|
| Land and buildings                  | 682 221 343          | 5 756 367          | -                | (7 660 000)        | -                                              | (4 213 661)          | -                  | 676 104 049          |
| Infrastructure                      | 3 135 862 618        | 305 500 447        | -                | 3 058 456          | -                                              | (118 467 010)        | -                  | 3 325 954 511        |
| Community assets                    | 49 822 784           | 13 867 870         | -                | -                  | -                                              | (2 494 159)          | -                  | 61 196 495           |
| Capital restoration asset           | 8 277 040            | -                  | -                | -                  | 501 243                                        | (2 364 869)          | -                  | 6 413 414            |
| Other property, plant and equipment | 108 210 549          | 20 269 960         | (933 659)        | -                  | -                                              | (23 523 419)         | -                  | 104 023 431          |
| <b>Total</b>                        | <b>3 984 394 334</b> | <b>345 394 644</b> | <b>(933 659)</b> | <b>(4 601 544)</b> | <b>501 243</b>                                 | <b>(151 063 118)</b> | <b>-</b>           | <b>4 173 691 900</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

|                                     | Opening<br>balance   | Additions          | Disposals        | Transfers      | Changes in<br>existing<br>restoration<br>costs | Depreciation         | Impairment<br>loss | Total                |
|-------------------------------------|----------------------|--------------------|------------------|----------------|------------------------------------------------|----------------------|--------------------|----------------------|
| Land and buildings                  | 688 288 101          | 6 446 293          | -                | (5 704 477)    | -                                              | (3 850 059)          | (2 958 515)        | 682 221 343          |
| Infrastructure                      | 3 074 056 769        | 176 378 849        | -                | 6 295 142      | -                                              | (116 178 326)        | (4 689 816)        | 3 135 862 618        |
| Community assets                    | 42 692 211           | 9 413 504          | -                | -              | -                                              | (2 282 931)          | -                  | 49 822 784           |
| Capital restoration asset           | 11 100 962           | -                  | -                | -              | (48 681)                                       | (2 775 240)          | -                  | 8 277 041            |
| Other property, plant and equipment | 93 953 022           | 35 548 401         | (487 865)        | -              | -                                              | (20 809 019)         | 6 010              | 108 210 549          |
|                                     | <b>3 910 091 065</b> | <b>227 787 047</b> | <b>(487 865)</b> | <b>590 665</b> | <b>(48 681)</b>                                | <b>(145 895 575)</b> | <b>(7 642 321)</b> | <b>3 984 394 335</b> |

#### Pledged as security

None of the above property, plant and equipment have been pledged as security.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted to R 3 058 456 (2015: R 6 295 142).

Land to the value of R 7 660 000 (2015: R 5 704 477) was transferred to inventory. Refer to note 6.

#### Work in progress

#### The work in progress balances included in property plant and equipment is as follow:

|                                     |                    |                    |
|-------------------------------------|--------------------|--------------------|
| Land and buildings                  | 124 115            | -                  |
| Infrastructure                      | 439 391 170        | 226 858 151        |
| Community assets                    | 7 017 295          | 3 719 402          |
| Other property, plant and equipment | 3 753 932          | 3 621 783          |
|                                     | <b>450 286 512</b> | <b>234 199 336</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 12. Property, plant and equipment (continued) Change in Accounting Estimate

A review of useful lives was done on assets. During the review certain infrastructure and other property plant and equipment with Rnil book values and nil remaining lives were identified. The municipality's management considered how to account for the change in the estimated useful lives. The effect of a change in accounting estimate is required to be recognised prospectively by including it in surplus or deficit in the period of the change, if the change effects that period only; or the period of the change in future periods, if the change effects both. Management concluded that it should apply the change in estimate prospectively from the start of 2016 and therefore the depreciation charge was applied prospectively from 1 July 2015 over the remaining useful life of these assets.

#### Prior period error

A review of useful lives was done on assets. During the review of useful lives certain infrastructure and other property plant and equipment inappropriate useful lives were identified resulting in these assets being fully depreciated over a shorter useful life but still in use. This constitutes a prior period error and was corrected retrospectively in accordance with GRAP 3.

The comparative figures were restated. Refer to the change in estimate and prior period error note 60.

### 13. Intangible assets

|                   | 2016                |                                                              |                | 2015                |                                                              |                |
|-------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                   | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software | 8 686 153           | (1 909 020)                                                  | 6 777 133      | 6 113 740           | (785 246)                                                    | 5 328 494      |

#### Reconciliation of intangible assets - 2016

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 5 328 494          | 2 572 412 | (1 123 773)  | 6 777 133 |

#### Reconciliation of intangible assets - 2015

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 3 228 519          | 2 563 644 | (463 669)    | 5 328 494 |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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2016

2015  
Restated\*

### 14. Heritage assets

|                                           | 2016                |                                     |                | 2015                |                                     |                |
|-------------------------------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
|                                           | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value |
| Art Collections, antiquities and exhibits | 724 002             | -                                   | 724 002        | 724 002             | -                                   | 724 002        |

#### Reconciliation of heritage assets 2016

|                                           | Opening<br>balance | Additions | Total   |
|-------------------------------------------|--------------------|-----------|---------|
| Art Collections, antiquities and exhibits | 724 002            | -         | 724 002 |

#### Reconciliation of heritage assets 2015

|                                           | Opening<br>balance | Additions | Total   |
|-------------------------------------------|--------------------|-----------|---------|
| Art Collections, antiquities and exhibits | 724 002            | -         | 724 002 |

#### Heritage assets used for more than one purpose

The following heritage assets are used by the municipality for more than one purpose:

|                                                                                |                    |                    |
|--------------------------------------------------------------------------------|--------------------|--------------------|
| Neethlinghuis and De Witthuis                                                  | 64 843 949         | 65 202 656         |
| 58 - 60 Andringa Street                                                        | 1 929 238          | 1 939 366          |
| 35B Mark Street                                                                | 3 185 606          | 3 194 823          |
| 127 Dorp Street, Transvalia, Alma & Bosmanshuis flats                          | 12 834 175         | 12 865 067         |
| 116 - 118 Dorp Street, Voorgelegen - offices                                   | 5 658 475          | 5 678 733          |
| 4 Reservoir West, Mooiwater                                                    | 2 113 390          | 2 121 493          |
| 34 Mark Street, Rynse Komplex: Toy Museum, Tourism, Youth Trust & PMU Building | 8 334 175          | 8 365 067          |
| Alexander Street, Burger Huis                                                  | 1 604 004          | 1 610 588          |
| Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant        | 63 001 269         | 63 194 321         |
| Die Laan, Landbou Saal                                                         | 4 377 235          | 4 384 072          |
|                                                                                | <b>167 881 516</b> | <b>168 556 186</b> |

### 15. Long term receivables

#### At amortised cost

|                              |                  |                   |
|------------------------------|------------------|-------------------|
| Officials: Erven Loans       | 17 102           | 22 442            |
| Farmers: Water Schemes       | 272 412          | 292 755           |
| Housing Selling Scheme Loans | -                | 1 457 439         |
| Arrangements                 | 5 354 423        | 10 115 047        |
|                              | <b>5 643 937</b> | <b>11 887 683</b> |
| Impairments                  | (2 068 763)      | (6 806 447)       |
|                              | <b>3 575 174</b> | <b>5 081 236</b>  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                   | 2016               | 2015<br>Restated*  |
|---------------------------------------------------|--------------------|--------------------|
| <b>15. Long term receivables (continued)</b>      |                    |                    |
| <b>Non-current assets</b>                         |                    |                    |
| At amortised cost                                 | 2 188 000          | 4 175 128          |
| <b>Current assets</b>                             |                    |                    |
| At amortised cost                                 | 1 387 174          | 906 108            |
| <b>Reconciliation of allowance for impairment</b> |                    |                    |
| Balance at beginning of the year                  | (6 806 447)        | (5 190 892)        |
| Contributions to allowance                        | 4 737 684          | (1 615 555)        |
|                                                   | <b>(2 068 763)</b> | <b>(6 806 447)</b> |

### Arrangements

The arrangements consist of consumer receivables with whom the council has negotiated repayment terms. Starting 01 July 2015 these arrangements attract no interest.

As at 30 June 2016, long term receivables of R 3 399 531 (2015: R 4 635 532) were past due not impaired.

### 16. Consumer deposits

|                |                   |                   |
|----------------|-------------------|-------------------|
| Water          | 4 530 373         | 4 305 678         |
| Electricity    | 8 144 603         | 7 683 428         |
| Housing rental | 516 398           | 499 092           |
|                | <b>13 191 374</b> | <b>12 488 198</b> |

### 17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

|                                           |                    |                    |
|-------------------------------------------|--------------------|--------------------|
| <b>Carrying value</b>                     |                    |                    |
| Salary control                            | 3 773 824          | 4 203 869          |
| Leave gratuity                            | 17 160 196         | 15 037 823         |
| Bonus accrual                             | 9 631 619          | 8 327 109          |
| Long services award                       | 27 719 640         | 25 716 595         |
| Post - retirement care benefits liability | 188 867 967        | 171 923 864        |
| <b>Net liability</b>                      | <b>247 153 246</b> | <b>225 209 260</b> |
| <b>Non-current liabilities</b>            | <b>207 825 478</b> | <b>188 703 048</b> |
| <b>Current liabilities</b>                | <b>39 327 768</b>  | <b>36 506 212</b>  |
|                                           | <b>247 153 246</b> | <b>225 209 260</b> |

#### 17.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2016 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                 | 2016               | 2015<br>Restated*  |
|-----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>17. Employee benefit obligations (continued)</b>                                                             |                    |                    |
| The members of the Post-employment Health Care Benefit Plan are made up as follows:                             |                    |                    |
| <b>The members of the post-employment health care benefit plan are made up as follows:</b>                      |                    |                    |
| In-service members (Employees)                                                                                  | 621                | 574                |
| Continuation members (Retirees, widow(ers) and orphans)                                                         | 183                | 188                |
| <b>Total members</b>                                                                                            | <b>804</b>         | <b>762</b>         |
| <b>The liability in respect of past service has been estimated as follows:</b>                                  |                    |                    |
| In-service members                                                                                              | 91 617 878         | 78 131 558         |
| Continuation members                                                                                            | 97 250 089         | 93 792 306         |
| <b>Total liability</b>                                                                                          | <b>188 867 967</b> | <b>171 923 864</b> |
| The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes: |                    |                    |
| <b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>             |                    |                    |
| <b>i) Rates of Interest</b>                                                                                     |                    |                    |
| Discount rate                                                                                                   | 9,40 %             | 8,87 %             |
| Health care cost inflation rate                                                                                 | 8,46 %             | 7,95 %             |
| Net effective discount rate                                                                                     | 0,86 %             | 0,85 %             |
| <b>ii) Normal retirement age</b>                                                                                |                    |                    |
| Expected retirement age - females                                                                               | 63                 | 63                 |
| Expected retirement age - males                                                                                 | 63                 | 63                 |
| The PA (90) ultimate mortality table was used by the actuaries                                                  |                    |                    |
| Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.                               |                    |                    |
| <b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>                        |                    |                    |
| Balance at the beginning of the year                                                                            | 171 923 864        | 124 717 000        |
| Current service costs                                                                                           | 6 292 391          | 4 043 000          |
| Interest cost                                                                                                   | 14 961 844         | 11 059 000         |
| Actual employee benefits payments                                                                               | (7 297 166)        | (6 753 581)        |
| Actuarial (losses) / gains                                                                                      | 2 987 034          | 38 858 445         |
| <b>Present Value of Fund Obligation at the end of the Year</b>                                                  | <b>188 867 967</b> | <b>171 923 864</b> |
| <b>The amounts recognised in the Statement of Financial Position are as follows</b>                             |                    |                    |
| Present value of fund obligations                                                                               | 188 867 967        | 171 923 864        |
| <b>The amounts recognised in the Statement of Financial Performance are as follows:</b>                         |                    |                    |
| Current service cost                                                                                            | 6 292 391          | 4 043 000          |
| Interest cost                                                                                                   | 14 961 844         | 11 059 000         |
| Actuarial (gain)/ loss recognised in profit and loss                                                            | 2 987 034          | 38 858 445         |
|                                                                                                                 | <b>24 241 269</b>  | <b>53 960 445</b>  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 17. Employee benefit obligations (continued)

Amounts for the current and previous four periods are as follows:

#### Present Value of Unfunded Defined Benefit

|      |             |
|------|-------------|
| 2016 | 188 867 967 |
| 2015 | 171 923 864 |
| 2014 | 124 717 000 |
| 2013 | 164 915 026 |
| 2012 | 151 108 687 |

#### Sensitivity analysis on the Accrued Liability (R Millions)

| Assumption                               | Change      | In-service        | Continuation      | Total              | % change      |
|------------------------------------------|-------------|-------------------|-------------------|--------------------|---------------|
| Central assumptions                      |             | 91,618            | 97,250            | 188,868            |               |
| Health care inflation                    | 1 %<br>(1)% | 98,432<br>81,310  | 101,091<br>92,092 | 199,504<br>173,402 | 6 %<br>(8)%   |
| Discount rate                            | 1 %<br>(1)% | 74,998<br>113,306 | 88,765<br>107,274 | 163,763<br>220,580 | (13)%<br>17 % |
| Post-retirement mortality                | -1 year     | 94,436            | 100,678           | 195,114            | 3 %           |
| Average retirement age                   | -1 year     | 100,173           | 97,250            | 197,423            | 5 %           |
| Continuation of membership at retirement | (10)%       | 83,051            | 97,250            | 180,301            | (5)%          |

#### Sensitivity analysis on Current-service and Interest Costs

| Assumption                               | Change      | Current-service Cost   | Interest cost            | Total                    | % change      |
|------------------------------------------|-------------|------------------------|--------------------------|--------------------------|---------------|
| Central assumptions                      |             | 6 292 400              | 14 961 800               | 21 254 200               |               |
| Health care inflation                    | 1 %<br>(1)% | 7 373 000<br>5 328 700 | 17 047 500<br>13 155 400 | 24 420 500<br>18 484 100 | 15 %<br>(13)% |
| Discount rate                            | 1 %<br>(1)% | 5 096 700<br>7 878 500 | 14 395 900<br>15 548 200 | 19 492 600<br>23 426 700 | (8)%<br>10 %  |
| Post-retirement mortality                | -1 year     | 6 507 600              | 15 532 700               | 22 040 300               | 4 %           |
| Average retirement age                   | -1 year     | 6 926 200              | 15 601 200               | 22 527 400               | 6 %           |
| Continuation of membership at retirement | (10)%       | 5 747 400              | 14 340 100               | 20 087 500               | (5)%          |

#### Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

#### Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2016.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2016              | 2015<br>Restated* |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>17. Employee benefit obligations (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |                   |
| The municipality expects to make a contribution of R 7 681 100 to the Defined Benefit Plan during the next financial year.                                                                                                                                                                                                                                                                                                                                                                                                 |                   |                   |
| <b>17.2 Long Service Awards</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                   |                   |
| <b>Non-Current Liability</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |                   |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 25 716 595        | 25 036 000        |
| Additions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4 218 425         | 2 113 840         |
| Utilised during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (2 215 380)       | (1 433 245)       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>27 719 640</b> | <b>25 716 595</b> |
| <b>Current Liability</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                   |                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>2 145 449</b>  | <b>2 298 123</b>  |
| <b>Movement in the present value of Long Service Awards were as follows:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |                   |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 25 716 595        | 25 036 000        |
| Current service cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2 189 747         | 2 118 000         |
| Interest cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2 028 678         | 2 017 000         |
| Actuarial (gains) losses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (475 568)         | (2 021 160)       |
| Benefits paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (1 739 812)       | (1 433 245)       |
| <b>Total included in employee related costs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>27 719 640</b> | <b>25 716 595</b> |
| <b>The amount recognised in the Statement of Financial Position are as follows:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   |                   |
| Present value of long service awards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>27 719 640</b> | <b>25 716 595</b> |
| <b>The amount recognised in the Statement of Financial Performance are as follows:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                     |                   |                   |
| Current service cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 2 189 747         | 2 118 000         |
| Interest cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2 028 678         | 2 017 000         |
| Actuarial gains (losses)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (475 568)         | (2 021 160)       |
| <b>Closing balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>3 742 857</b>  | <b>2 113 840</b>  |
| Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees. |                   |                   |
| <b>Key assumptions used</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                   |                   |
| Assumptions used at the reporting date:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |                   |
| Discount rates used                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 8,71 %            | 8,25 %            |
| Expected rate of return on assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 7,35 %            | 7,20 %            |
| Expected rate of return on reimbursement rights                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1,27 %            | 0,98 %            |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                         | 2016              | 2015<br>Restated* |                   |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>17. Employee benefit obligations (continued)</b>                                                                                                                                                                     |                   |                   |                   |                   |                   |
| <b>Other assumptions</b>                                                                                                                                                                                                |                   |                   |                   |                   |                   |
| Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects: |                   |                   |                   |                   |                   |
| Amounts for the current and previous four years are as follows:                                                                                                                                                         |                   |                   |                   |                   |                   |
|                                                                                                                                                                                                                         | <b>2016<br/>R</b> | <b>2015<br/>R</b> | <b>2014<br/>R</b> | <b>2013<br/>R</b> | <b>2012<br/>R</b> |
| Accrued liabilities                                                                                                                                                                                                     | 27 719 640        | 25 716 595        | 25 036 000        | 23 963 762        | 21 813 825        |

### Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

| Assumption               | Change                 | Liability        | % change      |
|--------------------------|------------------------|------------------|---------------|
| Central assumptions      |                        | 27,720           |               |
| General salary inflation | 1 %<br>(1)%            | 30,047<br>25,652 | 8 %<br>(7)%   |
| Discount rate            | 1 %<br>(1)%            | 25,853<br>30,171 | (8)%<br>9 %   |
| Average retirement age   | - 2 years<br>+ 2 years | 23,890<br>31,475 | (14)%<br>14 % |
| Withdrawal rates         | (50)%                  | 29,776           | 7 %           |

### Sensitivity analysis on Current-service and Interest Costs

| Assumption               | Change              | Current-service<br>Cost | Interest Cost          | Total                  | % change      |
|--------------------------|---------------------|-------------------------|------------------------|------------------------|---------------|
| Central assumptions      |                     | 2 189 700               | 2 028 700              | 4 218 400              |               |
| General salary inflation | 1 %<br>(1)%         | 2 426 600<br>1 983 900  | 2 208 900<br>1 868 900 | 4 635 500<br>3 852 800 | 10 %<br>(9)%  |
| Discount rate            | 1 %<br>(1)%         | 1 996 200<br>2 415 800  | 2 088 700<br>1 950 400 | 4 084 900<br>4 366 200 | (3)%<br>4 %   |
| Average retirement age   | -2 years<br>2 years | 2 092 100<br>2 667 100  | 1 989 000<br>2 649 600 | 4 081 100<br>5 316 700 | (13)%<br>13 % |
| Withdrawal rates         | (50)%               | 2 738 700               | 2 501 600              | 5 240 300              | 11 %          |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                              | 2016             | 2015<br>Restated* |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|
| <b>18. Operating lease liability</b>                                                                                                                                                         |                  |                   |
| Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised: |                  |                   |
| Balance at beginning of year                                                                                                                                                                 | 2 412 120        | 3 445 058         |
| Operating lease expenses recorded                                                                                                                                                            | 6 589 740        | 5 398 198         |
| Operating lease revenue realised                                                                                                                                                             | (723 360)        | (723 360)         |
| Operating lease payments effected                                                                                                                                                            | (6 203 851)      | (5 707 776)       |
|                                                                                                                                                                                              | <b>2 074 649</b> | <b>2 412 120</b>  |

### Leasing Arrangements

#### The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

#### The Municipality as Lessor:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period.

The total amount in terms of the lease agreement was received at the inception of the lease.

#### Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under Operating Leases for Property, Plant and Equipment, which fall due as follows:

#### Land and Buildings:

|              |                   |          |
|--------------|-------------------|----------|
| Up to 1 year | 5 101 313         | -        |
| 2 to 5 years | 5 492 987         | -        |
|              | <b>10 594 300</b> | <b>-</b> |

#### Vehicles and Other Equipment

|              |          |                  |
|--------------|----------|------------------|
| Up to 1 year | -        | 1 435 783        |
| 2 to 5 years | -        | 874 399          |
|              | <b>-</b> | <b>2 310 182</b> |

The following payments have been recognised as an expense in the Statement of Financial Performance:

#### Total operating lease expenses

|                        |           |           |
|------------------------|-----------|-----------|
| Minimum lease payments | 6 589 740 | 5 398 198 |
|------------------------|-----------|-----------|

The following amounts have been recognised as revenue in the Statement of Financial Performance:

#### Total operating lease income

|                      |           |           |
|----------------------|-----------|-----------|
| Minimum lease income | (723 360) | (723 360) |
|----------------------|-----------|-----------|

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                     | 2016        | 2015<br>Restated* |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|
| <b>19. Other financial liabilities</b>                                                                                                                              |             |                   |
| <b>At amortised cost</b>                                                                                                                                            |             |                   |
| Annuity Loans                                                                                                                                                       | 198 294 362 | 159 439 004       |
| Development Bank of South Africa                                                                                                                                    |             |                   |
| Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest rates varying from 9.25% to 11.10% per annum. |             |                   |
| <b>Non-current liabilities</b>                                                                                                                                      |             |                   |
| At amortised cost                                                                                                                                                   | 186 386 067 | 150 333 877       |
| <b>Current liabilities</b>                                                                                                                                          |             |                   |
| At amortised cost                                                                                                                                                   | 11 908 295  | 9 105 127         |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 20. Provisions

##### Reconciliation of provisions - 2016

|                                  | Opening<br>Balance | Additions      | Utilised<br>during the<br>year | Change in<br>estimate | Change in<br>discount<br>factor | Unwinding of<br>interest | Total             | Current<br>liabilities |
|----------------------------------|--------------------|----------------|--------------------------------|-----------------------|---------------------------------|--------------------------|-------------------|------------------------|
| Rehabilitation of landfill sites | 76 356 382         | -              | (7 720 781)                    | 501 243               | 1 180 551                       | 5 972 660                | 76 290 055        | 15 871                 |
| Constructive Obligations         | 329 330            | -              | (329 330)                      | -                     | -                               | -                        | -                 | -                      |
| Clearing of alien vegetation     | 9 039 337          | 713 786        | (2 947 799)                    | -                     | -                               | -                        | 6 805 324         | 6 796 257              |
|                                  | <b>85 725 049</b>  | <b>713 786</b> | <b>(10 997 910)</b>            | <b>501 243</b>        | <b>1 180 551</b>                | <b>5 972 660</b>         | <b>83 095 379</b> | <b>6 812 128</b>       |

##### Reconciliation of provisions - 2015

|                                  | Opening<br>Balance | Additions      | Utilised<br>during the<br>year | Change in<br>estimate | Change in<br>discount<br>factor | Unwinding of<br>interest | Total             | Current<br>liabilities |
|----------------------------------|--------------------|----------------|--------------------------------|-----------------------|---------------------------------|--------------------------|-------------------|------------------------|
| Rehabilitation of landfill sites | 67 921 136         | -              | (4 578 287)                    | (48 681)              | 13 062 214                      | -                        | 76 356 382        | 35 862 292             |
| Constructive obligations         | 316 303            | 295 291        | (282 264)                      | -                     | -                               | -                        | 329 330           | 329 330                |
| Clearing of alien vegetation     | 9 679 958          | -              | (640 621)                      | -                     | -                               | -                        | 9 039 337         | 9 039 337              |
|                                  | <b>77 917 397</b>  | <b>295 291</b> | <b>(5 501 172)</b>             | <b>(48 681)</b>       | <b>13 062 214</b>               | <b>-</b>                 | <b>85 725 049</b> | <b>45 230 959</b>      |

Non-current liabilities

Current liabilities

76 283 251

40 494 090

6 812 128

45 230 959

**83 095 379**

**85 725 049**

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

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#### 20. Provisions (continued) Clearing of Alien Vegetation

The provision for clearing of alien vegetation relates to the estimated cost for the clearing of alien vegetation from the areas under the jurisdiction of the municipality.

In terms of the Conservation of Agricultural Resources Act, (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that existed.

#### Rehabilitation of Landfill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R 76 290 055 (2015: R 76 356 382) to restore the site at the end of its useful life, estimated to be in the 2017/2018 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

The unwinding of the provision for landfill site for the current year was R 5 972 660 (2015: R 0) was included in the contribution to provision figure in the statement of financial performance.

The municipality expects an expenditure outflow of R 58 728 611 in the 2017/2018 financial year.

#### Constructive obligations

Constructive obligations related to Grants in Aid: Rental exist due to expectations created on the part of other parties that the municipality will discharge certain responsibilities.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                | 2016               | 2015<br>Restated*  |
|------------------------------------------------|--------------------|--------------------|
| <b>21. Payables from exchange transactions</b> |                    |                    |
| Trade payables                                 | 717 475            | 83 132             |
| Payments received in advance                   | 7 746 023          | 6 517 472          |
| Retention                                      | 37 374 210         | 19 754 950         |
| Other creditors                                | 109 727 478        | 110 996 057        |
| Sundry deposits                                | 1 784 968          | 4 110 597          |
| Impounded vehicles                             | 58 450             | 58 450             |
| Accruals at year end                           | 46 194 319         | 41 166 855         |
|                                                | <b>203 602 923</b> | <b>182 687 513</b> |

## 22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| National Government Grants              | -                 | -                 |
| Provincial Government Grants            | 8 656 342         | 6 532 628         |
| Other Sources                           | 5 295 950         | 5 295 950         |
| Developers Contribution - Sewerage      | 3 481 660         | 3 255 177         |
| Developers Contribution - Roads         | 5 696 472         | 3 481 985         |
| Developers Contribution - Electricity   | 10 872 337        | 6 666 167         |
| Developers Contribution - Water         | 3 163 953         | 2 777 004         |
| Developers Contribution - Open Areas    | 165 928           | 165 928           |
| Developers Contribution - Parking.      | 1 511 442         | 1 511 442         |
| Developers Contribution - General       | 117 753           | 117 753           |
| Developers Contribution - La Clemence   | 1 071 598         | 1 003 615         |
| Fransdevco: Development Rights          | 3 347 553         | 3 347 553         |
| Franschhoek: low cost housing (phase 2) | 301 300           | 301 300           |
| Developers contribution - refuse        | 384 029           | 351 721           |
| Developers contribution - stormwater    | 1 186 424         | 1 078 055         |
| Top structures                          | 323 000           | -                 |
| LGWSETA training                        | 659 530           | 725 455           |
| Dilbeeck                                | 1                 | 1                 |
| LG Financial management support grant   | -                 | 400 000           |
| Spatial Development framework           | 500 000           | -                 |
| Housing consumer education              | 68 010            | 68 010            |
| CDW support grant                       | 17 409            | -                 |
|                                         | <b>46 820 691</b> | <b>37 079 744</b> |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Other sources consist of grants made by external donors.

These amounts are invested in a ring-fenced investment until utilised.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 23. Accumulated surplus

#### Total Accumulated Surplus

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

The comparative figures were restated. Refer to the prior period error note 60.

### 24. Service charges

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Sale of electricity             | 466 637 278        | 415 476 863        |
| Sale of water                   | 141 997 594        | 122 012 717        |
| Sewerage and sanitation charges | 77 121 275         | 65 556 048         |
| Refuse removal                  | 44 718 654         | 40 024 834         |
| Free basic services             | (24 761 081)       | (17 290 608)       |
|                                 | <b>705 713 720</b> | <b>625 779 854</b> |

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### 25. Rental of facilities and equipment

#### Premises

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Rental Revenue from other facilities | 12 477 234        | 11 883 907        |
| Rental Revenue from buildings        | 28 785            | 25 732            |
|                                      | <b>12 506 019</b> | <b>11 909 639</b> |

#### Facilities and equipment

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Rental Revenue from Land | 4 284 749         | 4 899 009         |
| Rental of equipment      | 64                | 128               |
|                          | <b>4 284 813</b>  | <b>4 899 137</b>  |
|                          | <b>16 790 832</b> | <b>16 808 776</b> |

### 26. Interest earned- outstanding receivables

|                                           |           |           |
|-------------------------------------------|-----------|-----------|
| Interest earned - outstanding receivables | 5 713 800 | 6 313 897 |
|-------------------------------------------|-----------|-----------|

### 27. Agency services

|              |           |           |
|--------------|-----------|-----------|
| Licence fees | 1 906 917 | 2 018 435 |
|--------------|-----------|-----------|

The municipality collects licence fees on behalf of the provincial government western cape and receives a 12.5% agency fee.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2016              | 2015<br>Restated* |
|----------------------------------------------------|-------------------|-------------------|
| <b>28. Other income</b>                            |                   |                   |
| Actuarial gain                                     | 475 568           | 2 021 160         |
| Applications fees                                  | 775 032           | 687 209           |
| Building clause                                    | 614 199           | 570 749           |
| Building plan fees                                 | 4 276 916         | 3 724 643         |
| Cemetery plots                                     | 376 836           | 288 390           |
| Contributions from reserves and operational grants | 3 173 620         | 54 324            |
| Entrance fees                                      | 503 023           | 497 507           |
| Land sales                                         | -                 | 754 794           |
| Other revenue VAT                                  | 5 582 061         | 4 099 070         |
| Parking revenue                                    | 4 239 613         | 3 582 904         |
| Quoted services                                    | 2 475 078         | 2 098 511         |
| Reconnection fees                                  | 1 502 456         | 1 355 632         |
| Special rating area                                | 3 740 817         | -                 |
| Sundry                                             | 7 063 894         | 5 188 848         |
| Testing of drivers                                 | 852 871           | 1 038 096         |
|                                                    | <b>35 651 984</b> | <b>25 961 837</b> |

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 24 and 25 rendered which are billed to or paid for by the users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e. wood sales.

## 29. Investment revenue

### Interest revenue

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Bank                | 5 396 251         | 2 331 568         |
| Investment deposits | 44 316 873        | 37 854 510        |
|                     | <b>49 713 124</b> | <b>40 186 078</b> |

## 30. Property rates

### Rates received

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Residential                        | 159 772 483        | 147 230 208        |
| Commercial                         | 128 904 339        | 121 140 786        |
| Agricultural                       | 14 309 893         | 13 494 220         |
| Less: Income forgone               | (34 675 432)       | (32 346 554)       |
|                                    | <b>268 311 283</b> | <b>249 518 660</b> |
| Property rates - penalties imposed | 2 067 379          | 2 850 333          |
|                                    | <b>270 378 662</b> | <b>252 368 993</b> |

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2013. Two interim valuations were performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2016:

R 0.01133 - Non Residential (2015: R 0.01067)

R 0.00566 - Residential (2015: R 0.00533)

R 0.00141 - Agricultural (2015: R 0.00133)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                            | 2016                      | 2015<br>Restated*         |
|--------------------------------------------|---------------------------|---------------------------|
| <b>31. Government grants and subsidies</b> |                           |                           |
| <b>Operating grants</b>                    |                           |                           |
| Equitable share                            | 84 962 000                | 65 606 000                |
| Integrated transport plan                  | 600 000                   | -                         |
| Financial management grant                 | 1 450 000                 | 1 250 000                 |
| CDW support grant                          | 36 591                    | 83 817                    |
| LGWSETA training                           | 699 007                   | 1 605 547                 |
| Provincial government PHP top structures   | 25 073 005                | 2 870 853                 |
| Library services support grant             | 8 607 000                 | 5 413 489                 |
| Municipal systems improvement grant        | 930 000                   | 934 000                   |
| Other grants and subsidies operating       | -                         | 2 680 921                 |
| LG Financial management support grant      | 250 000                   | -                         |
| EPWP support grant                         | 1 075 000                 | 1 544 000                 |
| Arbor city awards                          | -                         | 300 000                   |
| EEDSM (Project Administration)             | 225 904                   | -                         |
|                                            | <u>123 908 507</u>        | <u>82 288 627</u>         |
| <b>Capital grants</b>                      |                           |                           |
| National government grants                 | 86 977 035                | 47 439 178                |
| Provincial government grants               | 16 382 590                | 9 780 466                 |
| Developers contribution - la clemence      | -                         | 81 927                    |
|                                            | <u>103 359 625</u>        | <u>57 301 571</u>         |
|                                            | <b><u>227 268 132</u></b> | <b><u>139 590 198</u></b> |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 332 (2015: R 284), which is funded from the grant. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.

### National government grants- Capital

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Current-year receipts                   | 86 977 035   | 47 439 178   |
| Conditions met - transferred to revenue | (86 977 035) | (47 439 178) |
|                                         | <u>-</u>     | <u>-</u>     |

The National Government grant includes all the grants that was gazetted in the DORA in 2015/2016. It includes the following grant: Municipal infrastructure grant, Energy Efficiency Demand Side Management, Energy Efficiency Demand Side Management and Regional bulk infrastructure grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

### Municipal infrastructure grant

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

### Regional bulk infrastructure grant

To develop new and refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new and refurbish, upgrade and replace ageing waste water infrastructure of regional significance.

### Energy Efficiency Demand Side Management

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 31. Government grants and subsidies (continued)

To develop infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. In the case of sanitation, to supplement regional bulk collection as well as regional waste water treatment works.

#### Integrated National Electrification Programme

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

#### Provincial government grants- Capital

|                                         |                  |                  |
|-----------------------------------------|------------------|------------------|
| Balance unspent at beginning of year    | 6 532 628        | 6 604 988        |
| Current-year receipts                   | 19 072 254       | 9 708 106        |
| Conditions met - transferred to revenue | (16 348 540)     | (9 780 466)      |
| Transferred capital to operational      | (600 000)        | -                |
|                                         | <b>8 656 342</b> | <b>6 532 628</b> |

The Provincial government grant includes all the grants that was gazetted in the Provincial allocations in 2015/2016. It includes the following grants: Human settlement development grant and Library services support grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

#### Human settlements development grant

To provide funding for the creation of sustainable human settlements. The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

#### Provincial Library Services Conditional Grant

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Conditions still to be met - remain liabilities. Refer to note 22.

#### Other sources- Capital

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 5 295 950        | 3 656 553        |
| Current-year receipts                | -                | 1 639 397        |
|                                      | <b>5 295 950</b> | <b>5 295 950</b> |

Conditions still to be met - remain liabilities. Refer to note 22.

#### Developers contributions- Sewerage

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 3 255 177        | 2 080 762        |
| Current-year receipts                | 226 483          | 1 174 415        |
|                                      | <b>3 481 660</b> | <b>3 255 177</b> |

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                | 2016              | 2015<br>Restated* |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>31. Government grants and subsidies (continued)</b>                                                                                                                                                                                         |                   |                   |
| <b>Developers contributions- Roads</b>                                                                                                                                                                                                         |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 3 481 985         | 1 626 984         |
| Current-year receipts                                                                                                                                                                                                                          | 2 214 487         | 1 855 001         |
|                                                                                                                                                                                                                                                | <b>5 696 472</b>  | <b>3 481 985</b>  |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |
| <b>Developers contributions- Electricity</b>                                                                                                                                                                                                   |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 6 666 167         | 4 206 902         |
| Current-year receipts                                                                                                                                                                                                                          | 4 206 170         | 2 459 265         |
|                                                                                                                                                                                                                                                | <b>10 872 337</b> | <b>6 666 167</b>  |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |
| <b>Developers contributions- Water</b>                                                                                                                                                                                                         |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 2 777 004         | 1 409 455         |
| Current-year receipts                                                                                                                                                                                                                          | 386 949           | 1 367 549         |
|                                                                                                                                                                                                                                                | <b>3 163 953</b>  | <b>2 777 004</b>  |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |
| <b>Developers contributions- Open areas</b>                                                                                                                                                                                                    |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 165 928           | 165 928           |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |
| Provide explanations of conditions still to be met and other relevant information.                                                                                                                                                             |                   |                   |
| <b>Developers contributions- Parking</b>                                                                                                                                                                                                       |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 1 511 442         | 1 511 442         |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |
| <b>Developers contributions- General</b>                                                                                                                                                                                                       |                   |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                           | 117 753           | 117 753           |
| Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22. |                   |                   |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                        | 2016             | 2015<br>Restated* |
|--------------------------------------------------------|------------------|-------------------|
| <b>31. Government grants and subsidies (continued)</b> |                  |                   |
| <b>Developers contributions- La Clemence</b>           |                  |                   |
| Balance unspent at beginning of year                   | 1 003 615        | 967 626           |
| Current-year receipts                                  | 67 983           | 117 917           |
| Conditions met - transferred to revenue                | -                | (81 928)          |
|                                                        | <b>1 071 598</b> | <b>1 003 615</b>  |

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

### Fransdevco development

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Balance unspent at beginning of year | 3 347 553 | 3 347 553 |
|--------------------------------------|-----------|-----------|

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

### FHK Low cost housing

|                                      |         |         |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 301 300 | 301 300 |
|--------------------------------------|---------|---------|

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

### Developers contributions- Refuse

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Balance unspent at beginning of year | 351 721        | 232 736        |
| Current-year receipts                | 32 308         | 118 985        |
|                                      | <b>384 029</b> | <b>351 721</b> |

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

### Developers contributions- Stormwater

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance unspent at beginning of year | 1 078 055        | 700 653          |
| Current-year receipts                | 108 369          | 377 402          |
|                                      | <b>1 186 424</b> | <b>1 078 055</b> |

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                             | 2016           | 2015<br>Restated* |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|
| <b>31. Government grants and subsidies (continued)</b>                                                                                                                                                                                                      |                |                   |
| <b>EEDSM (Project administration)</b>                                                                                                                                                                                                                       |                |                   |
| Current-year receipts                                                                                                                                                                                                                                       | 225 904        | -                 |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | (225 904)      | -                 |
|                                                                                                                                                                                                                                                             | <u>-</u>       | <u>-</u>          |
| To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.                                     |                |                   |
| <b>Integrated transport plan</b>                                                                                                                                                                                                                            |                |                   |
| Current-year receipts                                                                                                                                                                                                                                       | 600 000        | -                 |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | (600 000)      | -                 |
|                                                                                                                                                                                                                                                             | <u>-</u>       | <u>-</u>          |
| To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).                                                                                                                            |                |                   |
| <b>Top structures</b>                                                                                                                                                                                                                                       |                |                   |
| Current-year receipts                                                                                                                                                                                                                                       | 25 557 923     | 2 870 853         |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | (25 234 923)   | (2 870 853)       |
|                                                                                                                                                                                                                                                             | <u>323 000</u> | <u>-</u>          |
| To provide funding for the creation of sustainable human settlements. The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements. |                |                   |
| <b>Emergency housing</b>                                                                                                                                                                                                                                    |                |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                                        | -              | 2 928 036         |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | -              | (2 928 036)       |
|                                                                                                                                                                                                                                                             | <u>-</u>       | <u>-</u>          |
| Reimbursement of fire disaster expenditure was ring-fenced for emergency housing.                                                                                                                                                                           |                |                   |
| <b>LGW Seta training</b>                                                                                                                                                                                                                                    |                |                   |
| Balance unspent at beginning of year                                                                                                                                                                                                                        | 725 455        | 1 443 204         |
| Current-year receipts                                                                                                                                                                                                                                       | 633 082        | 887 798           |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | (699 007)      | (1 605 547)       |
|                                                                                                                                                                                                                                                             | <u>659 530</u> | <u>725 455</u>    |
| According to the Skills Development Act and the Skills Development Levies Act, an organisation can claim back some of the levies paid to be used on training of its employees.                                                                              |                |                   |
| <b>Arbor city awards</b>                                                                                                                                                                                                                                    |                |                   |
| Current-year receipts                                                                                                                                                                                                                                       | -              | 300 000           |
| Conditions met - transferred to revenue                                                                                                                                                                                                                     | -              | (300 000)         |
|                                                                                                                                                                                                                                                             | <u>-</u>       | <u>-</u>          |
| Conditions still to be met - remain liabilities. Refer to note 22.                                                                                                                                                                                          |                |                   |



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 31. Government grants and subsidies (continued)

#### Dilbeeck youth development

|                                         |          |           |
|-----------------------------------------|----------|-----------|
| Balance unspent at beginning of year    | 1        | 601 340   |
| Conditions met - transferred to revenue | -        | (601 339) |
|                                         | <u>1</u> | <u>1</u>  |

Municipality of Dilbeeck, Belgium agreement to assist the with youth development, prevention services and environment development.

#### LG financial management support grant

|                                                  |           |                |
|--------------------------------------------------|-----------|----------------|
| Balance unspent at beginning of year             | 400 000   | 400 000        |
| Current-year receipts                            | 250 000   | -              |
| Conditions met - transferred to revenue          | (250 000) | -              |
| Unutilised- Transferred to Provincial department | (400 000) | -              |
|                                                  | <u>-</u>  | <u>400 000</u> |

To provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

#### Spatial development framework

|                       |                |          |
|-----------------------|----------------|----------|
| Current-year receipts | <u>500 000</u> | <u>-</u> |
|-----------------------|----------------|----------|

Conditions still to be met - remain liabilities (see note 22).

To update the Human Settlement Plan (HSP) as part of the Built.

#### Library grant

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Balance unspent at beginning of year    | -           | 582 489     |
| Current-year receipts                   | 8 607 000   | 4 831 000   |
| Conditions met - transferred to revenue | (8 607 000) | (5 413 489) |
|                                         | <u>-</u>    | <u>-</u>    |

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

#### Housing consumer education

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance unspent at beginning of year | <u>68 010</u> | <u>68 010</u> |
|--------------------------------------|---------------|---------------|

Conditions still to be met - remain liabilities. Refer to note 22.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 31. Government grants and subsidies (continued)

#### Community development support grant

|                                         |               |          |
|-----------------------------------------|---------------|----------|
| Balance unspent at beginning of year    | -             | 31 354   |
| Current-year receipts                   | 54 000        | 52 463   |
| Conditions met - transferred to revenue | (36 591)      | (83 817) |
|                                         | <u>17 409</u> | <u>-</u> |

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators,

#### Municipal systems improvement grant

|                                                |           |           |
|------------------------------------------------|-----------|-----------|
| Balance unspent at beginning of year           | -         | 755 539   |
| Current-year receipts                          | 930 000   | 934 000   |
| Conditions met - transferred to revenue        | (930 000) | (934 000) |
| Unutilised- Transferred to National department | -         | (755 539) |
|                                                | <u>-</u>  | <u>-</u>  |

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

#### Financial Management Grant

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 1 450 000   | 1 250 000   |
| Conditions met - transferred to revenue | (1 450 000) | (1 250 000) |
|                                         | <u>-</u>    | <u>-</u>    |

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

#### EPWP grant

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current-year receipts                   | 1 075 000   | 1 544 000   |
| Conditions met - transferred to revenue | (1 075 000) | (1 544 000) |
|                                         | <u>-</u>    | <u>-</u>    |

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                    | 2016               | 2015<br>Restated*  |
|--------------------------------------------------------------------|--------------------|--------------------|
| <b>32. Fines, penalties and forfeits</b>                           |                    |                    |
| Traffic fines                                                      | 90 511 188         | 38 669 147         |
| Industrial affluent penalty                                        | 159 329            | 925                |
| Other fines                                                        | 41 993             | 81 495             |
|                                                                    | <b>90 712 510</b>  | <b>38 751 567</b>  |
| <b>33. Employee related costs</b>                                  |                    |                    |
| Basic salaries                                                     | 243 074 977        | 205 573 807        |
| Pension fund contribution                                          | 36 169 156         | 31 445 706         |
| Bonus                                                              | 16 873 934         | 14 156 028         |
| Medical aid - company contributions                                | 16 742 720         | 15 303 307         |
| UIF                                                                | 1 667 276          | 1 572 591          |
| Salary allowance                                                   | 3 190              | 3 190              |
| Cashiers allowance                                                 | 2 283              | 6 228              |
| Sundry allowance                                                   | 2 257 426          | 1 961 739          |
| Cellphone allowance                                                | 703 688            | 648 440            |
| Severance packages                                                 | -                  | 112 105            |
| Travel, motor car, accommodation, subsistence and other allowances | 575 955            | 348 955            |
| Overtime payments                                                  | 19 400 914         | 15 992 602         |
| Uniforms                                                           | 626 901            | 574 718            |
| Acting allowances                                                  | 1 548 612          | 1 252 322          |
| Group insurance                                                    | 4 126 249          | 3 753 250          |
| Car allowance                                                      | 10 643 323         | 10 224 273         |
| Housing benefits and allowances                                    | 1 921 420          | 1 384 237          |
| Standby allowance                                                  | 8 444 306          | 7 135 861          |
| Night shift allowance                                              | 2 511 580          | 2 242 774          |
| Long-term benefits - incentive scheme                              | 21 141             | -                  |
| Bargaining council                                                 | 147 915            | 126 874            |
|                                                                    | <b>367 462 966</b> | <b>313 819 007</b> |
| <b>Remuneration of Municipal Manager</b>                           |                    |                    |
| Annual remuneration                                                | 642 839            | 1 123 387          |
| Car allowance                                                      | 36 000             | 72 000             |
| Contributions to UIF, medical and pension funds                    | 134 085            | 254 003            |
| Leave                                                              | 75 176             | -                  |
| Telephone allowances                                               | 9 000              | 18 000             |
|                                                                    | <b>897 100</b>     | <b>1 467 390</b>   |
| Acting Allowance paid to Acting Municipal Manager                  | 780 237            | -                  |
| <b>Remuneration of Chief Finance Officer</b>                       |                    |                    |
| Annual remuneration                                                | 1 322 064          | 1 200 048          |
| Car allowance                                                      | 134 342            | 130 556            |
| Contributions to UIF, medical and pension funds                    | 13 223             | 14 826             |
|                                                                    | <b>1 469 629</b>   | <b>1 345 430</b>   |
| <b>Remuneration of the Director Human Settlements</b>              |                    |                    |
| Annual remuneration                                                | 863 874            | 393 142            |
| Car allowance                                                      | 125 517            | 70 000             |
| Contributions to UIF, medical and pension funds                    | 182 998            | 95 330             |
| Telephone allowance                                                | 21 000             | 5 250              |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                             | 2016             | 2015<br>Restated* |
|-------------------------------------------------------------|------------------|-------------------|
| <b>33. Employee related costs (continued)</b>               |                  |                   |
| Performance bonus                                           | 63 934           | -                 |
|                                                             | <b>1 257 323</b> | <b>563 722</b>    |
| Acting allowances paid to Acting Director Human Settlements | 27 449           | 41 445            |

The Director of Human Settlements started working on the 1st of December 2014.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                          | 2016             | 2015<br>Restated* |
|------------------------------------------------------------------------------------------|------------------|-------------------|
| <b>33. Employee related costs (continued)</b>                                            |                  |                   |
| <b>Remuneration of the Director Community &amp; Protection Services</b>                  |                  |                   |
| Annual remuneration                                                                      | 423 843          | 843 812           |
| Car allowance                                                                            | 66 000           | 66 000            |
| Contributions to UIF, medical and pension funds                                          | 86 968           | 213 482           |
| Leave                                                                                    | -                | 18 774            |
| Telephone allowances                                                                     | 4 500            | 9 000             |
|                                                                                          | <b>581 311</b>   | <b>1 151 068</b>  |
| Acting Allowances paid to the Acting Director Community & Protection Services            | 91 904           | -                 |
| <b>Remuneration of the Director Strategic and Corporate Services</b>                     |                  |                   |
| Annual remuneration                                                                      | 561 183          | 871 121           |
| Car allowance                                                                            | 104 718          | 121 774           |
| Contributions to UIF, medical and pension funds                                          | 133 688          | 214 286           |
| Leave                                                                                    | 44 263           | -                 |
| Telephone allowances                                                                     | 6 000            | 9 000             |
|                                                                                          | <b>849 852</b>   | <b>1 216 181</b>  |
| Acting Allowances paid to the Acting Director(s) Corporate Services                      | 95 395           | -                 |
| <b>Remuneration of the Director Engineering Services</b>                                 |                  |                   |
| Annual remuneration                                                                      | -                | 959 159           |
| Car allowance                                                                            | -                | 48 975            |
| Contributions to UIF, medical and pension funds                                          | -                | 198 248           |
| Leave payout                                                                             | -                | 112 118           |
| Telephone allowances                                                                     | -                | 9 000             |
|                                                                                          | <b>-</b>         | <b>1 327 500</b>  |
| Acting Allowances paid to Acting Director(s) Engineering Services                        | 132 376          | -                 |
| The Director Engineering Services' position was vacant for the 2015/2016 financial year. |                  |                   |
| <b>Remuneration of the Director Planning and Development Services</b>                    |                  |                   |
| Annual remuneration                                                                      | 1 047 519        | 741 035           |
| Car allowance                                                                            | 141 387          | 79 526            |
| Contributions to UIF, medical and pension funds                                          | 13 900           | 9 612             |
| Telephone allowances                                                                     | 20 703           | 4 670             |
| Performance bonus                                                                        | 116 244          | -                 |
|                                                                                          | <b>1 339 753</b> | <b>834 843</b>    |
| Acting Allowances paid to Acting Director(s) Planning and Development                    | -                | 35 903            |
| The Director Planning and Development started working on the 1st of September 2014.      |                  |                   |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                       | 2016               | 2015<br>Restated*  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>34. Remuneration of Councillors</b>                                                                                                                                                |                    |                    |
| Executive Mayor                                                                                                                                                                       | 591 091            | 552 637            |
| Councillors                                                                                                                                                                           | 15 253 155         | 13 878 129         |
|                                                                                                                                                                                       | <b>15 844 246</b>  | <b>14 430 766</b>  |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council. |                    |                    |
| Executive Mayor                                                                                                                                                                       | 591 091            | 552 637            |
| Deputy Mayor                                                                                                                                                                          | 473 269            | 442 088            |
| Speaker                                                                                                                                                                               | 441 349            | 413 098            |
| Chief whip                                                                                                                                                                            | 356 770            | 385 047            |
| MPAC chair                                                                                                                                                                            | 399 671            | -                  |
| Mayoral committee                                                                                                                                                                     | 3 428 643          | 2 915 144          |
| Councillors                                                                                                                                                                           | 5 027 024          | 4 919 509          |
| Medical aid contributions                                                                                                                                                             | 263 762            | 244 026            |
| Pension fund contributions                                                                                                                                                            | 287 985            | 256 551            |
| Travelling allowances                                                                                                                                                                 | 3 614 712          | 3 407 922          |
| Telephone allowances                                                                                                                                                                  | 895 743            | 894 744            |
| Data cards                                                                                                                                                                            | 64 227             | -                  |
|                                                                                                                                                                                       | <b>15 844 246</b>  | <b>14 430 766</b>  |
| <b>35. Contribution to/from provision</b>                                                                                                                                             |                    |                    |
| Landfill site                                                                                                                                                                         | 7 153 210          | 13 062 215         |
| Constructive obligations                                                                                                                                                              | 704 089            | 295 292            |
|                                                                                                                                                                                       | <b>7 857 299</b>   | <b>13 357 507</b>  |
| <b>36. Contribution to allowance for doubtful debt</b>                                                                                                                                |                    |                    |
| Receivables from exchange allowance contribution                                                                                                                                      | (19 625 410)       | 2 094 645          |
| Receivables from non-exchange allowance contribution                                                                                                                                  | 24 412 764         | 18 119 253         |
| Long term receivables                                                                                                                                                                 | (3 545 805)        | (71 646)           |
|                                                                                                                                                                                       | <b>1 241 549</b>   | <b>20 142 252</b>  |
| <b>37. Depreciation and amortisation</b>                                                                                                                                              |                    |                    |
| Property, plant and equipment                                                                                                                                                         | 151 315 704        | 146 149 066        |
| Intangible assets                                                                                                                                                                     | 1 123 773          | 462 075            |
|                                                                                                                                                                                       | <b>152 439 477</b> | <b>146 611 141</b> |
| <b>38. Finance costs</b>                                                                                                                                                              |                    |                    |
| Current borrowings                                                                                                                                                                    | 20 390 548         | 13 409 012         |
| <b>39. Contribution to employee benefit obligation</b>                                                                                                                                |                    |                    |
| Post-retirement healthcare benefit liability                                                                                                                                          | 24 241 269         | 53 960 445         |
| Long service award                                                                                                                                                                    | 4 218 425          | 4 135 000          |
| Leave gratuity                                                                                                                                                                        | 3 147 745          | 5 118 081          |
|                                                                                                                                                                                       | <b>31 607 439</b>  | <b>63 213 526</b>  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                    | 2016               | 2015<br>Restated*  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>39. Contribution to employee benefit obligation (continued)</b>                                                                                                                                                                                                                                 |                    |                    |
| An actuarial gain on employee benefits of R 475 568 (2015: R 2 021 160) was disclosed in other income.                                                                                                                                                                                             |                    |                    |
| <b>40. Debt impairment</b>                                                                                                                                                                                                                                                                         |                    |                    |
| Electricity                                                                                                                                                                                                                                                                                        | 414 395            | 51 264             |
| Water                                                                                                                                                                                                                                                                                              | 10 021 468         | 5 917 170          |
| Sewerage                                                                                                                                                                                                                                                                                           | 2 973 538          | 1 792 547          |
| Refuse                                                                                                                                                                                                                                                                                             | 3 408 434          | 2 175 049          |
| Housing Rental                                                                                                                                                                                                                                                                                     | 6 032 540          | 4 804 171          |
| Housing selling schemes                                                                                                                                                                                                                                                                            | 1 282 808          | -                  |
| Sundries                                                                                                                                                                                                                                                                                           | 593 519            | 253 896            |
| Rates                                                                                                                                                                                                                                                                                              | 1 068 314          | 678 123            |
| Traffic fines                                                                                                                                                                                                                                                                                      | 43 272 220         | 24 319 226         |
|                                                                                                                                                                                                                                                                                                    | <b>69 067 236</b>  | <b>39 991 446</b>  |
| <b>41. Bulk purchases</b>                                                                                                                                                                                                                                                                          |                    |                    |
| Electricity                                                                                                                                                                                                                                                                                        | 304 375 751        | 268 063 791        |
| Water                                                                                                                                                                                                                                                                                              | 20 400 921         | 19 280 240         |
|                                                                                                                                                                                                                                                                                                    | <b>324 776 672</b> | <b>287 344 031</b> |
| Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town and Department of Water and Forestry. |                    |                    |
| <b>42. Contracted services</b>                                                                                                                                                                                                                                                                     |                    |                    |
| Operating Leases: Buildings and Equipment                                                                                                                                                                                                                                                          | 9 813 016          | 10 053 965         |
| Specialist Services                                                                                                                                                                                                                                                                                | 8 733 138          | 6 498 907          |
| Other Contractors                                                                                                                                                                                                                                                                                  | 31 368 415         | 22 119 095         |
|                                                                                                                                                                                                                                                                                                    | <b>49 914 569</b>  | <b>38 671 967</b>  |
| <b>43. Grants and subsidies paid</b>                                                                                                                                                                                                                                                               |                    |                    |
| Grant-in-aid tourism                                                                                                                                                                                                                                                                               | 3 700 000          | 2 840 768          |
| Grant-in-aid animal welfare                                                                                                                                                                                                                                                                        | 700 000            | 568 500            |
| Grant-in-aid sundries                                                                                                                                                                                                                                                                              | 1 815 883          | 2 145 779          |
|                                                                                                                                                                                                                                                                                                    | <b>6 215 883</b>   | <b>5 555 047</b>   |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                            | 2016               | 2015<br>Restated*  |
|--------------------------------------------|--------------------|--------------------|
| <b>44. General expenses</b>                |                    |                    |
| 3G fixed cost                              | 1 440              | 1 199              |
| Advertising                                | 3 609 227          | 3 125 319          |
| Ammunition                                 | 2 393              | -                  |
| Audit committee                            | 228 858            | 212 101            |
| Auditors remuneration                      | 4 404 494          | 4 330 770          |
| Bank charges                               | 3 106 650          | 2 829 661          |
| Membership fees                            | 3 602 879          | 4 258 058          |
| Bursaries                                  | 314 746            | 157 491            |
| Cellphone cost                             | 139 809            | 119 360            |
| Professional fees                          | 13 697 240         | 9 350 969          |
| Corporate expenses                         | 633 450            | 568 404            |
| Land sales                                 | -                  | 362 071            |
| Cleaning services                          | 1 686 105          | 1 276 501          |
| Disaster incidents/ relieve aid            | 2 474 554          | 3 385 148          |
| Electricity consumption                    | 7 588 366          | 7 050 977          |
| Entertainment                              | 110 884            | 94 558             |
| Fuel and oil                               | 9 623 449          | 10 844 551         |
| Fumigation of buildings                    | 151 904            | 148 204            |
| Free basic services - informal settlements | 4 026 378          | 2 739 382          |
| Grant expenditure                          | -                  | 1 975              |
| Hosting of events                          | 733 676            | 551 031            |
| Housing top structure                      | 25 234 923         | 2 863 699          |
| Insurance                                  | 2 729 340          | 2 653 371          |
| Internal audit fees                        | 639 434            | 579 292            |
| Internal consumption expenses              | 485 339            | 700 801            |
| Internal Investigations                    | 285 895            | 48 924             |
| Investment administration                  | 438 791            | 902 218            |
| Legal cost                                 | 12 986 969         | 6 658 749          |
| Licenses fees                              | 5 573 494          | 4 554 459          |
| Local economic development                 | 193 995            | 869 085            |
| Magazines, books and periodicals           | 193 177            | 240 459            |
| Marketing                                  | 86 508             | 76 133             |
| Nightshelter                               | 504 315            | 490 729            |
| Office refreshments                        | 704 205            | 605 318            |
| Other expenses                             | 14 224 360         | 8 500 080          |
| Postage and courier                        | 1 316 928          | 1 314 019          |
| Printing and stationery                    | 3 134 268          | 3 014 917          |
| Property only                              | 2 194 241          | 1 095 836          |
| Protective clothing                        | 2 483 339          | 2 548 991          |
| Radio operational cost                     | 1 609 627          | 1 668 796          |
| Recoverable cost                           | 1 349 258          | 929 240            |
| Recruiting and selecting                   | 54 679             | 91 992             |
| Refuse bins                                | 82 000             | 3 165 621          |
| Registration fees                          | 518                | 14 850             |
| Souvenirs                                  | 10 927             | 22 714             |
| Staff wellness                             | 958 104            | 1 103 473          |
| Stores & material                          | 1 479 335          | 1 975 590          |
| Special rating area                        | 3 761 052          | -                  |
| Telephone cost                             | 2 383 539          | 3 446 922          |
| Training                                   | 7 550 377          | 6 124 605          |
| Transfer & survey cost                     | 166 889            | 58 728             |
| Ward expenses                              | 1 738 449          | 1 399 681          |
| Workmans compensation                      | 2 446 867          | 1 955 667          |
| Workshops, functions & capacity            | 1 067 824          | 1 140 953          |
| General expenses                           | 154 205 468        | 111 467 795        |
| Administration costs                       | (2 593 104)        | (6 632 500)        |
|                                            | <b>151 612 364</b> | <b>105 591 142</b> |



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                 | 2016               | 2015<br>Restated*  |
|---------------------------------------------------------------------------------|--------------------|--------------------|
| <b>44. General expenses (continued)</b>                                         |                    |                    |
| The comparative figures were restated. Refer to the prior period error note 60. |                    |                    |
| <b>45. Fair value adjustments</b>                                               |                    |                    |
| Gain arising from changes in fair value less costs to sell on biological assets | (1 442 934)        | 325 021            |
| Other financial assets                                                          |                    |                    |
| • Discounting of long term receivables                                          | (4 181 687)        | -                  |
|                                                                                 | <b>(5 624 621)</b> | <b>325 021</b>     |
| <b>Movement in discounting of long term receivables</b>                         |                    |                    |
| Opening balance                                                                 | -                  | -                  |
| Closing balance                                                                 | (4 181 687)        | -                  |
|                                                                                 | <b>(4 181 687)</b> | <b>-</b>           |
| <b>46. Cash generated from operations</b>                                       |                    |                    |
| Surplus                                                                         | 149 670 869        | 24 511 607         |
| <b>Adjustments for:</b>                                                         |                    |                    |
| Depreciation and amortisation                                                   | 152 439 477        | 146 611 141        |
| Loss/(profit) on sale of assets and liabilities                                 | 890 364            | (1 339 626)        |
| Fair value adjustments                                                          | 1 442 934          | (325 021)          |
| Impairment of non-cash generating assets                                        | -                  | 9 927 321          |
| Inventories losses/write-downs                                                  | (34 728)           | 39 084             |
| Debt impairment                                                                 | 69 067 236         | 39 991 446         |
| Movements in operating lease assets and accruals                                | (337 471)          | (1 032 939)        |
| Movements in provisions                                                         | (2 629 670)        | 7 807 652          |
| Contribution to allowance for doubtful debt                                     | 1 241 549          | 20 142 252         |
| Employee benefit provision contributions                                        | 31 607 439         | 63 213 526         |
| Actuarial gain                                                                  | (475 568)          | (2 021 160)        |
| Change in restoration                                                           | (501 243)          | 48 681             |
| <b>Changes in working capital:</b>                                              |                    |                    |
| Inventories                                                                     | (8 389 535)        | (5 890 940)        |
| Other receivables from exchange transactions                                    | (7 605 078)        | (2 535 886)        |
| Consumer debtors                                                                | (20 104 130)       | 577 983            |
| Other receivables from non-exchange transactions                                | (64 059 137)       | (32 277 465)       |
| Payables from exchange transactions                                             | 20 820 926         | 51 838 017         |
| VAT                                                                             | (18 926 353)       | (12 549 648)       |
| Employee benefit obligation                                                     | (9 187 885)        | (13 409 224)       |
| Unspent conditional grants and receipts                                         | 9 740 947          | 3 339 137          |
| Consumer deposits                                                               | 703 176            | 1 045 429          |
|                                                                                 | <b>305 374 119</b> | <b>297 711 367</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 47. Financial assets by category

The financial assets of the municipality are classified as follows:

#### 2016

|                                              | Amortised<br>cost  | Total              |
|----------------------------------------------|--------------------|--------------------|
| Cash and cash equivalents                    | 128 186 992        | 128 186 992        |
| Receivables from exchange transactions       | 84 833 702         | 84 833 702         |
| Other receivables from exchange transactions | 59 372 543         | 59 372 543         |
| Receivables from non-exchange transactions   | 7 554 620          | 7 554 620          |
| Current investment deposits                  | 480 000 000        | 480 000 000        |
| Long term receivables                        | 3 575 174          | 3 575 174          |
|                                              | <b>763 523 031</b> | <b>763 523 031</b> |

#### 2015

|                                              | Amortised<br>Cost  | Total              |
|----------------------------------------------|--------------------|--------------------|
| Cash and cash equivalents                    | 609 430 081        | 609 430 081        |
| Receivables from exchange transactions       | 69 830 863         | 69 830 863         |
| Other receivables from exchange transactions | 51 767 465         | 51 767 465         |
| Receivables from non-exchange transactions   | 7 613 962          | 7 613 962          |
| Long term receivables                        | 5 081 236          | 5 081 236          |
|                                              | <b>743 723 607</b> | <b>743 723 607</b> |

### 48. Financial liabilities by category

The financial liabilities of the municipality are classified as follows:

#### 2016

|                                         | Amortised<br>cost  | Total              |
|-----------------------------------------|--------------------|--------------------|
| Consumer deposits                       | 13 191 374         | 13 191 374         |
| Operating lease accrual                 | 2 074 649          | 2 074 649          |
| Other financial liabilities             | 198 294 362        | 198 294 362        |
| Unspent conditional grants and receipts | 46 820 691         | 46 820 691         |
| Payables from exchange transactions     | 203 602 923        | 203 602 923        |
|                                         | <b>463 983 999</b> | <b>463 983 999</b> |

#### 2015

|                                         | Amortised<br>cost  | Total              |
|-----------------------------------------|--------------------|--------------------|
| Consumer deposits                       | 12 488 198         | 12 488 198         |
| Operating lease liability               | 2 412 120          | 2 412 120          |
| Other financial liabilities             | 159 439 004        | 159 439 004        |
| Unspent conditional grants and receipts | 37 079 744         | 37 079 744         |
| Payables from exchange transactions     | 182 687 512        | 182 687 512        |
|                                         | <b>394 106 578</b> | <b>394 106 578</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

Company Secretary's Certification

## 49. Risk management

### Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Other financial liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity in Note 3, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

### Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2016                         | Less than 1<br>year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5 years |
|-----------------------------------------|---------------------|--------------------------|--------------------------|--------------|
| Consumer deposits                       | 13 191 374          | -                        | -                        | -            |
| Operating lease liability               | 2 074 649           | -                        | -                        | -            |
| Other financial liabilities             | 11 908 295          | 13 083 929               | 46 116 749               | 127 185 389  |
| Payables from exchange transactions     | 203 602 923         | -                        | -                        | -            |
| Unspent conditional grants and receipts | 46 820 691          | -                        | -                        | -            |
| At 30 June 2015                         | Less than 1<br>year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5 years |
| Consumer deposits                       | 12 488 198          | -                        | -                        | -            |
| Operating lease liability               | 2 412 120           | -                        | -                        | -            |
| Other financial liabilities             | 9 105 127           | 10 074 287               | 36 865 485               | 103 394 107  |
| Payables from exchange transactions     | 182 687 513         | -                        | -                        | -            |
| Unspent conditional grants and receipts | 37 079 744          | -                        | -                        | -            |

### Risk from biological assets

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 49. Risk management (continued)

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

#### Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 49. Risk management (continued)

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

#### The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

|                                              |                    |                    |
|----------------------------------------------|--------------------|--------------------|
| Current investment deposits                  | 120 239 395        | 592 647 934        |
| Short term investments                       | 480 000 000        | -                  |
| Receivables from exchange transactions       | 84 833 702         | 69 830 863         |
| Other receivables from exchange transactions | 59 372 543         | 51 767 465         |
| Receivables from non exchange transactions   | 7 554 620          | 7 613 962          |
|                                              | <b>752 000 260</b> | <b>721 860 224</b> |

#### Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

#### Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 50. Commitments

#### Authorised capital expenditure

##### Approved and Contracted for:

|                  |                    |                    |
|------------------|--------------------|--------------------|
| • Infrastructure | 276 935 974        | 422 176 308        |
| • Other assets   | 10 186 626         | 14 183 810         |
|                  | <b>287 122 600</b> | <b>436 360 118</b> |

#### Total capital commitments

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| Already contracted for | <b>287 122 600</b> | <b>436 360 118</b> |
|------------------------|--------------------|--------------------|

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated, etc.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies

**Stellenbosch Municipality / Bergsig Trust – Erf 334/2**

An application interdicting and restraining the Trust from utilizing land in a manner other than prescribed by zoning scheme. Reference: STB1/0002

Management's estimate of the financial exposure

R250 000

The following litigations and claims management estimated the financial exposure to be R58 000

**Stellenbosch Municipality / Nu Bar, Entourage, Drunken Springbok, Stellenbosch club, The Boulevard, Tollies**

Criminal proceedings to cause the cessation of illegal activity with regards to contravention of noise control regulations. Erven 7311, 5357, 2084, 1251 and 740. STB1/0004, STB1/0007, STB1/0008, STB1/0010, STB1/0011

**Stellenbosch Municipality / CA & TD Pedro : Erf 8851**

Owner build illegal building over boundary line without approved building plan – criminal proceedings instituted. STB1/0012

**Stellenbosch Municipality / Vinyl Investments (Pty) Ltd : Erf 3292 Franschoek**

Owner erected a building without prior approved building plan – criminal proceedings instituted. STB1/0013

**Stellenbosch Municipality / MJ & C Abrahams : Erf 5263**

Owner erected illegal wendy house without approved building plan - criminal proceedings instituted. STB1/0015

**Stellenbosch Municipality / LR Brochetto : Erf 12479**

Owner deviated from approved building plan – criminal proceedings instituted against owner of property. STB1/0016

**Stellenbosch Municipality / S Mumba : Flat 8**

Application to evict S Mumba from property which is being unlawfully occupied. STB1/0017

**Stellenbosch Municipality / AM Oosthuisen : Erf 6604**

Owner erected an illegal boundary wall without the necessary structural strength and stability without an approved building plan – instituted criminal proceedings. STB1/0018

**Stellenbosch Municipality / K Macopoza : Erf 1902**

Owner build an illegal building without prior approved building plan – instituted criminal proceedings. STB1/0021

**Stellenbosch Municipality / SZ & R Fourie : Erf 4558**

Owner erected a third storey, deviating from the approved building plans and in contravention with the zoning scheme - criminal instituted proceedings. STB1/0026

**Stellenbosch Municipality / Faan & Retha Jordaan Family Trust : Erf 7737**

Owner erected illegal wendy house without approved building plans – criminal proceedings instituted. STB1/0027

**Stellenbosch Municipality / RJ Baartman : Erf 6938**

Owner build an illegal building without prior approved building plan – instituted criminal proceedings. STB1/0028

**Stellenbosch Municipality / L V/D Vyver : Erf 14544**

Owner erected building without prior approved building plan – instituted criminal proceedings. STB1/0029

**Stellenbosch Municipality / F & R Moffat : Erf 8852**

Owner erected a lean to roof and vibro-crete wall without prior approved building plans - instituted criminal proceedings. STB1/0030

**Stellenbosch Municipality / WJA Hendricks : Erf 2924 Klapmuts**

Owner placed a container on the Property without prior approved buildings plans - instituted criminal proceedings. STB1/0031

**Stellenbosch Municipality / CC & MS Julies : Erf 1978 Klapmuts**

Owner build a lean roof, braai and swimming pool without prior approved building plans – criminal proceedings instituted. STB1/0032

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

#### **Stellenbosch Municipality / JJ Anthony : Flat C2**

Application to evict JJ Anthony and all other occupiers residing there and dealing drugs. STB1/0036

#### **Stellenbosch Municipality / occupiers of the landfill site**

An urgent eviction application was instituted by Stellenbosch Municipality to have the occupiers of the Landfill site evicted due to an underground fire. The urgent eviction order was granted and a substantial eviction application was submitted pursuant thereto. The substantial eviction application is still pending. Smith Tabata Buchanan Boyes

Management's estimate of the financial exposure

R 100 000

The following litigations and claims management estimated the financial exposure to be R50 000. (This amount represents the legal costs and disbursements that the Municipality may be liable in order to obtain the Final Court Order).

#### **Stellenbosch Municipality / Lindoor**

Letter of Demand drafted and served on the tenant of 407 Phyllaria, Stellenbosch. Subsequently the lease agreement was cancelled. Deed of Settlement is currently on the table for the parties to sign. Matter still pending.

Smith Tabata Buchanan Boyes

Reference: G Potgieter/ A Ras

#### **Stellenbosch Municipality / Gone**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order

Smith Tabata Buchanan Boyes\_Reference: G Potgieter/ A Ras

#### **Stellenbosch Municipality / Sarah Pietersen**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

Smith Tabata Buchanan Boyes\_Reference: G Potgieter/ A Ras

#### **Stellenbosch Municipality / Mr & Mrs Pikoko**

Instruction received to proceed with court order to stop illegal building structure erected on the residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

Smith Tabata Buchanan Boyes\_Reference: G Potgieter/ A Ras

#### **Stellenbosch Municipality / Gregory & Belinda Boyd Family Trust**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

Smith Tabata Buchanan Boyes\_Reference: G Potgieter/ A Ras

#### **Stellenbosch Municipality / Mr & Mrs Ewerts**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order

#### **Stellenbosch Municipality / Mr & Mrs Julies**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order

#### **Stellenbosch Municipality / Sarah Pietersen**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

#### **Stellenbosch Municipality / Nolwandle Boniswa**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

#### **Stellenbosch Municipality / Lenie Daniels**

Instruction received to proceed with court order to stop illegal building structure erected on a residential property.

Letter of demand drafted and served. Proceeded with drafting of pleading to get court order.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

#### **La Motte - Forensic Report**

Review Application. This matter is still pending. The application to have allocation of property declared unlawful is being finalized. STE10/0017

Management's estimate of the financial exposure R200 000

#### **Stellenbosch Municipality / Herman Pfeiffer**

Monetary claim against the Municipality by the former Speaker. This matter is still pending and the attorneys was in the process of obtaining a court date. STE10/0035

Management's estimate of the financial exposure R5 000

#### **Stellenbosch Municipality / Agillis Petrus Davids**

High Court application for the provision of alternative accommodation. This matter was recently settled. STE10/0041

Management's estimate of the financial exposure R5 000

#### **Stellenbosch Municipality / TFD Trust**

Application interdicting and restraining the Trust from accommodating additional persons or operating an accommodation establishment, more specifically student accommodation, in contravention of the Stellenbosch Zoning Scheme Regulations on residential property .

Management's estimate of the financial exposure R 150 000

#### **Stellenbosch Municipality / Awarding Trading 4 (Pty) Ltd**

Application interdicting and restraining the Trust from accommodation additional persons or operating an accommodation establishment, more specifically student accommodation, in contravention of the Stellenbosch Zoning Scheme Regulations on residential property.

Management's estimate of the financial exposure R 150 000

#### **Stellenbosch Municipality / P. Van De Rheede**

Application to demolish part of the illegal building erected over the municipal sewer pipeline and make good the land on which she built.

Management's estimate of the financial exposure R40 000

#### **Stellenbosch Municipality / Mervin Hoffman & Marinda Kellerman**

Application to demolish structure/ additions/ wooden balcony built illegally to the existing building and which encroaches onto the street and over the property's building line.

Management's estimate of the financial exposure R150 000

#### **Stellenbosch Municipality / Brendal Property Developers**

Defending a claim for damages suffered due to the construction of a sewer line over claimant's property and compensation for the servitude registered over the property.

Management's estimate of the financial exposure R300 000

The following litigations and claims management estimated the financial exposure to be R40 000. (This amount represents the legal costs and disbursements that the Municipality may be liable in order to obtain the Final Court Order)

#### **Stellenbosch Municipality / Dillon Carelse**

Application to evict Dillon Carelse from property which is being illegally utilised for storage and dealing drugs.

#### **Stellenbosch Municipality / Elizabeth Carelse**

Application to evict Elizabeth Carelse from property which is unlawfully being occupied by her grandsons one of whom is a known drug addict.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

#### **Stellenbosch Municipality / Illegal Occupiers of Erf 412 Franschoek**

Application to evict certain occupiers of the property due to the building being unsafe.

#### **Stellenbosch Municipality / Pauline van Niekerk**

Application to evict Pauline van Niekerk and those holding title under her from the property on which she is unlawfully accommodating her family and extended family without the Municipality's consent

#### **Stellenbosch Municipality / Lavandra Orey**

Application to evict those holding title under Lavandra Orey from the property as she is not residing there and does not have the Municipality's consent to accommodate other people.

#### **Stellenbosch Municipality and Others / Fredericksburg Landgoed (Pty) Ltd and Others**

This matter, an application in terms of the National Environmental Management Act 107 of 1998 to have a directive issued against the Municipality, has now been partly concluded and only legal costs and disbursements for which the Municipality may be liable for have to be taxed. This has not been done for the past 6 years. This matter does not involve any amounts claimed.

Webber Wentzel

Reference: RB Africa / AE Esterhuizen / 1901064 / 1988215

Management's estimate of the financial exposure

R 200 000

#### **Stellenbosch Municipality and Others / Independent Schools Association of Southern Africa / Ethekwini Municipality**

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant and the parties are in the process of exchanging pleadings.

An interlocutory application brought by the National Minister of Finance and National Minister of Co-operative Governance and Traditional Affairs for the variation and/or rescission of court order regarding the provision of the record and for certain documents to be excluded from the record was set down and heard on 4 August 2014. Judgement has been delivered and the parties are now in the process of preparing and exchanging supplementary papers. This matter does not involve any amounts claimed.

Webber Wentzel

Reference: RB Africa / AE Esterhuizen / 2083835

Management's estimate of the financial exposure

R 250 000

#### **Stellenbosch Municipality / John Collin Februarie t/a JC Solutions**

This matter involves 3 claims against the Municipality for payment for services rendered.

This amounts claimed are as follow:

Invoice 544: R187 193.70;

Invoice 547: R132 553.50;

Invoice 553: R139 273.30;

Plus interest on the amounts claimed at 15.5% per annum a tempore morae.

Summons was served on 13 August 2013 and the Municipality opposed the matter. The Plaintiff brought an Application for Summary Judgement which application has been successfully opposed by the Municipality. Pleadings have now closed.

Webber Wentzel

Reference: AE Esterhuizen / M Sabley / 2411282

Management's estimate of the financial exposure

R 150 000

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

#### **Stellenbosch Municipality / Fusion Properties 233 CC**

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality.  
The amount claimed is R 32 111 000 together with interest calculated at the rate of 9% per annum from 28 July 2015.  
This Municipality is defending the action. Pleadings have now closed.

Webber Wentzel

Reference: RB Africa / M Sabley / 3006430

Management's estimate of the financial exposure R 500 000

#### **Stellenbosch Municipality / Klapmuts Mediation**

Municipality under obligation to provide emergency housing to evictees of various eviction orders in Klapmuts; Klapmuts community has threatened violence against evicted and destruction of property should municipality proceed to utilise Klapmuts housing facilities for evictees rather than their own. Independent expert mediator appointed to facilitate mediation which is currently pending.

Reference: KVDBERG/S613

Management's estimate of the financial exposure R 250 000

#### **Stellenbosch Municipality / Erf 114 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S586

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 3043 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S598

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 3085 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S599

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 3082 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S600

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 1162 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S601

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 3039 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S602

Management's estimate of the financial exposure R 50 000

#### **Stellenbosch Municipality / Erf 1469 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S603

Management's estimate of the financial exposure R 50 000

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

**Stellenbosch Municipality / Erf 299 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S604

Management's estimate of the financial exposure R 50 000

**Stellenbosch Municipality / Erf 3073 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S605

Management's estimate of the financial exposure R 50 000

**Stellenbosch Municipality / Erf 2514 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S606

Management's estimate of the financial exposure R 50 000

**Stellenbosch Municipality / Erf 298 demolition application**

Application for court order to have illegal building demolished to be issued shortly.

Reference: KVDBERG/S607

Management's estimate of the financial exposure R 50 000

**Stellenbosch Municipality / M Lekeur eviction**

Application for eviction of unlawful occupants from municipal property. Pre-litigation mediation pending.

Reference: KVDBERG/S617

Management's estimate of the financial exposure R 80 000

**Stellenbosch Municipality / I Du Toit eviction**

Application for eviction of unlawful occupants from municipal property to be instituted once obligation in respect of emergency housing is determined in Lekeur test-case.

Reference: KVDBERG/S580

Management's estimate of the financial exposure R 80 000

**Stellenbosch Municipality / A11 Kloof str eviction**

Application for eviction of unlawful occupants from municipal property to be instituted once obligation in respect of emergency housing is determined in Lekeur test-case.

Reference: KVDBERG/S589

Management's estimate of the financial exposure R 80 000

**Stellenbosch Municipality / E Manuel eviction**

Application for eviction of unlawful occupants from municipal property to be instituted once obligation in respect of emergency housing is determined in Lekeur test-case.

Reference: KVDBERG/S590

Management's estimate of the financial exposure R 80 000

An amount of R160 073.43 was levied for interest and penalties by the Compensation Fund for periods before 2012. The amount represents interest and penalties levied for late payments. The municipality did not pay the interest and penalties because based on the available information; the municipality received the return of earnings late from the Compensation Fund. The municipality has requested the remittance of the interest and penalties in January 2015, but as at reporting date, the municipality did not receive a response from the Compensation Fund. It is the municipality's view that if we did not receive the return of earnings late, the payments would not have been affected after the due dates and no interest and penalties would have been charged. As we have not received a response from the Compensation Fund, we are unable to determine the amount of interest and penalties payable, if any.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Contingencies (continued)

The municipality has concluded a comprehensive job evaluation process during the 2015/16 financial year. A maintenance process has commenced and it is envisaged that the process will be completed by December 2016. It is impossible to quantify the financial effect.

### 52. Related parties

#### Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in a note to the annual financial statements.

#### Compensation of related parties

Compensation of key management personnel and councillors is set out in notes 33 and 34 respectively, to the annual financial statements.

#### Awards to close family members of persons in the service of the state:

Jacko's Cleaning and Projects

Services to the value of R15 999.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
|---------------------------------|-------------------------|

Ntombentsha I Jack

Stellenbosch Municipality

#### AMLN General Trading cc

Services, to the value of R 138 140.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
|---------------------------------|-------------------------|

Nelda Samuels

Stellenbosch Municipality

#### Aurecon South Africa (Pty) Ltd

The appointment of consulting engineers for professional civil engineering services for various projects, to the value of R 11 890 261

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
|---------------------------------|-------------------------|

JJ Saaiman

Armscor: Quality Manager; Parent

G Saaiman

Auditor-General Kimberley: Junior Manager; Son

RG Madikizela

Auditor-General South Africa: Assistant Manager; Brother

D Ntsebeza

Buffalo City Metropolitan Municipality, Spouse

WZ Erasmus

Cape Nature: Program Manager; Spouse

Cr BJ Kriegler

Cape Winelands District Municipality & Breede Valley Municipality:  
Western Cape - Councillor; Parent

N Grobbelaar

Central University of Technology: Department Civil Engineer -  
Programme Manager; Spouse

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

|                |                                                                                                        |
|----------------|--------------------------------------------------------------------------------------------------------|
| S Seegers      | City of Cape Town: Head of Security Architecture; Sister                                               |
| PC Vermeulen   | City of Cape Town: Superintendent - Building Maintenance; Parent                                       |
| CJ Barry       | City of Cape Town: Transport Department - Transport, Roads and Stormwater: Head - Finance; Parent      |
| J Wilkens      | Correctional Service: Vice Director - Provincial; Parent                                               |
| B Alheit       | Denel Dynamics: Executive Manager - Business Development; Parent                                       |
| J Scheepers    | Council for Medical Schemes: Chief Financial Analyst; Spouse                                           |
| A Hougaard     | Department of Correctional Services: Principle Network Controller; Spouse                              |
| M Marques      | Department of Home Affairs: Deputy Director; Spouse                                                    |
| D Mayekiso     | Department of Local Government and Traditional Affairs, Uncle                                          |
| N Towers       | Department of Mineral Resources: Inspectorate of Mines - Health and Safety Western Cape Region; Parent |
| J Blackmore    | Department of Public Works: Project Manager; Parent                                                    |
| AJ Moore       | Department of Water Affairs: Chief Engineer; Parent                                                    |
| J Tredoux      | Department of Water Affairs: Deputy Director - Accounts Payable; Spouse                                |
| Cr CP Herbst   | Dr Ruth S Mompoti District Municipality: North West - Councillor; Parent                               |
| RT Mehlala     | Eastern Cape Arts and Culture Council: Chief Audit Executive Officer; Parent                           |
| J Jacobs       | Eastern Cape Department of Education; Personal Assistant to Chief Director; Spouse                     |
| ZC Venter      | Eastern Cape Department of Health: Deputy Director - Employment Relations; Spouse                      |
| NH Ntsebeza    | Eastern Cape Department of Health, Parent                                                              |
| R Tebane       | Ekurhuleni Metropolitan Municipality: Executive Manager; Parent                                        |
| JM Robertson   | Ekurhuleni Metropolitan Municipality: Roads Engineer; Parent                                           |
| ZE Khosa       | Ekurhuleni Metropolitan Municipality: Technician; Brother                                              |
| M van Rensburg | Eskom: Executive at Transmission Department; Father-in-Law                                             |
| R Nair         | eThekweni Municipality: Building Inspector; Parent                                                     |
| CMM Barnard    | Gauteng Department of Education: Deputy Principal; Spouse                                              |
| B Kleynhans    | Hessequa Municipality: Accountant; Parent                                                              |
| NS Wolmarens   | IDC: Senior Accounts Manager; Spouse                                                                   |
| M Ntsebeza     | Intsika Yethu Municipality, Cousin                                                                     |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

|                |                                                                                                                                   |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------|
| N Ntsebeza     | Intsika Yethu Municipality, Cousin                                                                                                |
| SW Zulu        | KwaZulu Natal Department of Health: Human Resource Manager; Parent                                                                |
| L Pillay       | KwaZulu Natal Department of Transport: Deputy Director - Mechanical Maintenance Division; Parent                                  |
| E Herloldt     | Limpopo Dept of Economic Development Environment & Tourism, Manager Investigation Services                                        |
| T Kholoanyane  | Naledi Local Municipality: Free State - Tourism Manager; Parent                                                                   |
| K Nadasen      | National Department of Public Works: Director - Key Account Management                                                            |
| J Theron       | Nelson Mandela Bay Metropolitan University: Head - Graduate School Relations; Spouse                                              |
| Dr M Skeed     | Nelson Mandela Bay Metropolitan University: Senior Manager - Staff Development; Spouse                                            |
| Dr Y Goga      | Nkosi Albert Luthuli Hospital: Senior Specialist - Paediatric Haematology; Sister                                                 |
| F Tialang      | North West Department of Education: Quality Assurance; Sister                                                                     |
| GJ Tong        | North West Department of Finance: Deputy Director; Parent                                                                         |
| EM Schon       | Northern Cape Department of Cooperative Governance: Human Settlements and Traditional Affairs - Assistant Manager; Spouse         |
| SM Grobbelaar  | Northern Cape Department of Cooperative Governance: Human Settlements and Traditional Affairs - Town and Regional Planner; Parent |
| JF Phillips    | Northern Cape Department of Economic Development and Tourism: Manager - Township Revitalisation; Spouse                           |
| T Botha        | Oudtshoorn Municipality: Technical Manager; Parent                                                                                |
| JH Riekert     | SA Reserve Bank; Engineering ; Spouse                                                                                             |
| JH Higgs       | SARS: Regional Manager; Spouse                                                                                                    |
| PS Pretorius   | Sol Plaatjie Municipality: Chief Officer - Community Services; Parent                                                             |
| SM O'Connell   | Sol Plaatjie Municipality: Librarian; Spouse                                                                                      |
| K Thamaga      | South African Defence Force: State Accountant; Brother                                                                            |
| MC Dunga       | South African Navy: Engineer in Training; Spouse                                                                                  |
| HC Ahlschlager | Special Investigating Unit: Legal Representative; Spouse                                                                          |
| A Heyns        | Stellenbosch Municipality: Assistant Superintendent - Workshop Engineering Department; Parent                                     |
| AN Van Taak    | Stellenbosch Municipality, Director- Water and Sewerage, Father                                                                   |
| R Meyer        | Telkom SA: Project Manager; Parent                                                                                                |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

|                 |                                                                            |
|-----------------|----------------------------------------------------------------------------|
| N Geldenhuys    | Transnet Port Terminals: Mechatronic Engineer; Son                         |
| Cr B Groenewald | Twaing Municipality: North West - Councillor; Parent                       |
| T Govender      | Umgeni Water: Fleet Maintenance Administrator - Asset Management; Daughter |
| A Treurnich     | Umjindi Municipality: Community Services - Assistant Director; Spouse      |
| Prof CJG Bender | University of Johannesburg: Professor; Spouse                              |
| Cr JJJ Daniels  | West Coast District Municipality: Deputy Mayor; Parent                     |
| HG Esterhuysen  | West Coast District Municipality: Senior Manager - Roads; Parent           |

### Ithuba Industries

The supply and delivery of goods and material under annual tenders (water services department), to the value of R 437 691.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>              |
|---------------------------------|--------------------------------------|
| Ms. De Mornay                   | Western Cape Department of Education |

### ARB Electrical Wholesalers (Pty) Ltd

The supply and delivery of goods and material under the Annual Tender: Electrical, to the value of R 4 389 795.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                                  |
|---------------------------------|--------------------------------------------------------------------------|
| Jacob Modise                    | ESKOM Holdings: Non Executive Director and Road Accident Fund (RAF): CEO |

### Bergstan South Africa

Services, to the value of R 1 472 864.16

| <u>Spouses, Child or Parent</u> | <u>State Department</u>          |
|---------------------------------|----------------------------------|
| C Beukus                        | Department of Social Development |

### Kemanzi (Pty) Ltd

Supply of water treatment chemicals and application expertise to the value of R 504 173.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>        |
|---------------------------------|--------------------------------|
| J N Du Toit                     | Department of local government |

### Clints Chaffeur Drive

Transport services to the value of R 1 995.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                 |
|---------------------------------|-----------------------------------------|
| Ms. V Swartz                    | Stellenbosch Municipality: LED Official |

### CSM Consulting Services

Services, to the value of R 370 874

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                      |
|---------------------------------|--------------------------------------------------------------|
| Andre Vancoillie                | Department of Environmental Affairs and Development Planning |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

#### Exeo Khokela Civil

Civil Engineering construction services to the value of R 15 428 120.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| T Meyer                         | Education department    |

#### Angra Tours

Transportation services to the value of R 9 750.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                      |
|---------------------------------|--------------------------------------------------------------|
| Zelda Louise Cloete             | Stellenbosch Municipality _Clerk : Enquiry and Client liason |

#### Red Hills Electronics

Services, to the value of R 467 666.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Mr E Hartley                    | Department of Education |

#### Milhon HVAC

Repairs and replacements on air conditioners, to the value of R 151 789.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                   |
|---------------------------------|-------------------------------------------|
| Ms J Sampson                    | Stellenbosch Municipality: SCM Practioner |

#### Maverick Trading 1088 (Pty) Ltd

Services, to the value of R 198 843

| <u>Spouses, Child or Parent</u> | <u>State Department</u>   |
|---------------------------------|---------------------------|
| Colleen Adams                   | Department of Agriculture |

#### Mott Macdonald Africa (Pty) Ltd

Services, to the value of R 370 874

| <u>Spouses, Child or Parent</u> | <u>State Department</u>     |
|---------------------------------|-----------------------------|
| Emma Liesl Silberagl            | Other Government Department |

#### NCC Environmental Services (Pty) Ltd

Services, to the value of R 13 224

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                            |
|---------------------------------|----------------------------------------------------|
| Chandre Rhode                   | Department of Local Government (City of Cape Town) |

#### GVG Buildings

The rendering of civil works: annual tender to the value of R 39 980.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                       |
|---------------------------------|-----------------------------------------------|
| M M Gertse                      | Department: Rural development and land reform |

#### Blue Vidas (Pty) Ltd

Cleaning and hygiene services to the value of R 28 000.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                                           |
|---------------------------------|-----------------------------------------------------------------------------------|
| Harold Richard Davids           | Stellenbosch Municipality_Technician Development: Services and Project Management |

#### Helderberg Business

IT related services, to the value of R 15 298.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>   |
|---------------------------------|---------------------------|
| Nicoli Hichert                  | Department of Agriculture |

#### HJ Productions (Pty) Ltd

Services, to the value of R 62 270

| <u>Spouses, Child or Parent</u> | <u>State Department</u>   |
|---------------------------------|---------------------------|
| Director                        | Department of Agriculture |

#### Adenco Construction

Electrical engineering construction services to the value of R 4 653 628.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| DCC Jackson Adelle Kassner      | Department of Health    |

#### Rhonde bros steel pro

Steel manufacturing services to the value of R 439 414.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>      |
|---------------------------------|------------------------------|
| Dan Rhode                       | Other government departments |

#### FGA Van Den Heever

Installation of cupboards to the value of R 27 090.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Pamela van den Heever           | Education department    |

#### Flowers in the Foyer

Services, to the value of R 2 800

| <u>Spouses, Child or Parent</u> | <u>State Department</u>     |
|---------------------------------|-----------------------------|
| E Gunter                        | Other Government Department |

#### Silversolutions 1765

Accounting and business consultants to the value of R 7 600.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Dorothy Simpson                 | Education department    |

#### Element Consulting

Engineering services to the value of R 644 050.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>        |
|---------------------------------|--------------------------------|
| Mrs S Pienaar                   | Department of local government |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

#### Payless Fitment Centre

Services, to the value of R 11 697.94

| <u>Spouses, Child or Parent</u> | <u>State Department</u>          |
|---------------------------------|----------------------------------|
| R Olivier                       | Department of Social Development |

#### PD Naidoo and Associates

Engineering services to the value of R 211 549.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>      |
|---------------------------------|------------------------------|
| Emma Liesl Siberagl             | Other government departments |

#### Sipakhame Skills Development

Services, to the value of R 352 350.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                 |
|---------------------------------|---------------------------------------------------------|
| Ntobeko Vacu Drake              | Department of Local Government(Drakenstein Municipality |

#### KPMG Pty (Ltd)

Professional financial services to the value of R 180 118.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>       |
|---------------------------------|-------------------------------|
|                                 | Other government departments. |

#### Idas Valley Cleaning Solutions

Services, to the value of R 249 220.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>        |
|---------------------------------|--------------------------------|
| Gaylene Jonkers                 | Department of Local Government |

#### Idas Valley Service Centre

Services, to the value of R 94 652.06

| <u>Spouses, Child or Parent</u> | <u>State Department</u>                                    |
|---------------------------------|------------------------------------------------------------|
| Jene Bergstedt                  | Department of Local Government (Stellenbosch Municipality) |

#### iKapa Reticulation and flow

Services, to the value of R 107 770

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Sophia Davids                   | Department of Education |

#### Isuzu Truck Centre (Pty) Ltd

Services, to the value of R 28 945,

| <u>Spouses, Child or Parent</u> | <u>State Department</u>        |
|---------------------------------|--------------------------------|
| Errol Jacobs                    | Department of Local Government |

#### Procore Protection

Security services to the value of R 85 930.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

| <u>Spouses, Child or Parent</u> | <u>State Department</u>        |
|---------------------------------|--------------------------------|
| M De Vries                      | Department of local government |

#### **Smec South Africa (PTY) Ltd**

Consulting services to the value of R 247 080.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>   |
|---------------------------------|---------------------------|
| Yvonne Phosa                    | Department of the premier |

#### **Purple rose distributors**

Distribution services, to the value of R 147 119.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Charlotte Hector                | Education department    |

#### **WAM Technology cc**

Services, to the value of R 22 800

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Edith Botha                     | Education Department    |

#### **World Outdoor Fitness SA**

Services, to the value of R 352 796

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Sarit Qwabe                     | SABC                    |

#### **Chipit (Pty) Ltd**

Procurement services, to the value of R 25 800.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>      |
|---------------------------------|------------------------------|
| Charles Ford                    | Other government departments |

#### **Altimax (Pty) Ltd**

Consultants and advisors to the value of R 602 961.

| <u>Spouses, Child or Parent</u> | <u>State Department</u> |
|---------------------------------|-------------------------|
| Isak Dirk Joubert               | Education department    |

#### **AECOM SA (PTY) LTD**

Professional services to the value of R 3 900 222.

| <u>Spouses, Child or Parent</u> | <u>State Department</u>         |
|---------------------------------|---------------------------------|
| Sandra Meyer                    | Bloem water; Mother             |
| Lida Mudde                      | Department of Education; Sister |
| Allison Powell                  | Department of Education; Wife   |
| Lynette Wolff                   | Department of Education; Wife   |
| Mareli Els                      | Department of Education; Niece  |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 52. Related parties (continued)

|                       |                                            |
|-----------------------|--------------------------------------------|
| Christoff Marais      | Department of Health; Brother              |
| Marietjie Breytenbach | Eendracht Primary School; Wife             |
| Andre Rossouw         | ESKOM; Son                                 |
| Rowan Seath           | ESKOM; Brother                             |
| JHS Viljoen           | ESKOM; Brother-in-Law                      |
| Alison Mahomed        | eThekweni Municipality; Wife               |
| Roelof Meyer          | Grey College; Father                       |
| Elmarie Venter        | Gauteng Education Department; Wife         |
| Carol Van der Merwe   | Protea Park Primary School; Wife           |
| JHS Viljoen           | SA Air Force- Waterkloof; Husband          |
| Toy Le Grange         | SA Defence Force- Medical Services; Nephew |
| JC Van der Walt       | SANRAL; Father                             |
| Timothy Liversage     | Transnet; Husband                          |
| Frikkie Koekelenberg  | Transnet; Nephew                           |
| Gary Powell           | University of Cape Town; Brother           |
| Marius M Lund         | University of Cape Town; Brother           |
| Rona Newark           | University of Stellenbosch; Sister         |
| Pamela de Waalt       | University of Pretoria; Wife               |
| Anele de Wet          | UNISA; Wife                                |
| Nico Botha            | UNISA; Brother                             |

### 53. Events after the reporting date

Management is not aware of any material event which occurred after the reporting date and up to the date of this report.

### 54. Unauthorised expenditure

|                                           |               |                   |
|-------------------------------------------|---------------|-------------------|
| Civil Engineering Services                | -             | 48 732 832        |
| Human Settlements and Property Management | 41 991        | -                 |
|                                           | <u>41 991</u> | <u>48 732 832</u> |

Overspending on non-cash items namely Depreciation, Debt Impairment and Contributions to Provisions contributed to the overspending per vote for the year under review. These line items were budgeted for but expenditure was more than anticipated, this does not constitute physical outflows of cash but is deemed unauthorised in terms of National Treasury MFMA Circular no 68: Unauthorised, Irregular, Fruitless and Wasteful Expenditure dated 10 May 2013.

Unauthorised expenditure was restated in the comparative year due the implementation of directive 11.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                  | 2016              | 2015<br>Restated* |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>55. Fruitless and wasteful expenditure</b>                                                    |                   |                   |
| No fruitless and wasteful expenditure for the year under review.                                 |                   |                   |
| <b>56. Irregular expenditure</b>                                                                 |                   |                   |
| Opening balance                                                                                  | 462 542           | 14 729 997        |
| Non-compliance with SCM Regulation S36(1)(a)(i)                                                  | 11 708 103        | 278 224           |
| Less: Amounts written off in terms of the MFMA S32(2)(b)                                         | -                 | (14 545 679)      |
|                                                                                                  | <b>12 170 645</b> | <b>462 542</b>    |
| <b>57. Additional disclosure in terms of Municipal Finance Management Act</b>                    |                   |                   |
| <b>Contributions to organised local government - SALGA</b>                                       |                   |                   |
| Opening balance                                                                                  | 315 317           | -                 |
| Council subscriptions                                                                            | 3 804 560         | 4 165 018         |
| Amount paid - current year                                                                       | (3 800 235)       | (3 849 701)       |
| Early settlement discount                                                                        | (319 642)         | -                 |
| <b>Balance Unpaid (included in Creditors)</b>                                                    | <b>-</b>          | <b>315 317</b>    |
| <b>Audit fees</b>                                                                                |                   |                   |
| Current year Audit Fee                                                                           | 4 977 757         | 4 330 770         |
| Amount paid - current year                                                                       | (4 977 757)       | (4 330 770)       |
| <b>Balance Unpaid (included in Creditors)</b>                                                    | <b>-</b>          | <b>-</b>          |
| <b>VAT</b>                                                                                       |                   |                   |
| VAT receivable                                                                                   | 32 262 026        | 13 335 673        |
| All VAT returns have been submitted by the due date throughout the year.                         |                   |                   |
| The total VAT paid for the year amounts to R 13 329 317 (2015: R 18 640 424).                    |                   |                   |
| The comparative figures were restated. Refer to the prior period error Note .                    |                   |                   |
| <b>PAYE and UIF</b>                                                                              |                   |                   |
| Current year Payroll Deductions                                                                  | (56 905 764)      | (45 227 894)      |
| Amount paid - current year                                                                       | 56 905 764        | 45 227 894        |
| <b>Balance Unpaid (included in Creditors)</b>                                                    | <b>-</b>          | <b>-</b>          |
| <b>Pension and Medical Aid Deductions</b>                                                        |                   |                   |
| Current year Payroll Deductions and Council Contributions                                        | 94 882 879        | 83 909 793        |
| Amount paid - current year                                                                       | (94 882 879)      | (83 909 793)      |
| <b>Balance Unpaid (included in Creditors)</b>                                                    | <b>-</b>          | <b>-</b>          |
| <b>Councillors' arrear consumer accounts</b>                                                     |                   |                   |
| The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016: |                   |                   |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015<br>Restated* |
|-----------------|------|-------------------|
|-----------------|------|-------------------|

### 57. Additional disclosure in terms of Municipal Finance Management Act (continued)

| 30 June 2016 | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R |
|--------------|------------------------------------------|------------------------------------------|------------|
| Arends DS    | 7                                        | -                                        | 7          |
| Maree EL     | 10                                       | 4 222                                    | 4 232      |

The following councillors had arrear accounts for more than 90 days during the year:

Gugushe KM

Maree EL

Ngcofe MM

Peterson A&WC

Sidego CJ

| 30 June 2015 | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R |
|--------------|------------------------------------------|------------------------------------------|------------|
| Maree EL     | 30                                       | 4 092                                    | 4 122      |

### Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review:

| Distribution Losses      | Electricity<br>(KWH) | Water<br>(KL)    |
|--------------------------|----------------------|------------------|
| Purchases                | 389 771 694          | 14 009 112       |
| Sales                    | (366 149 055)        | (10 509 331)     |
| <b>Distribution loss</b> | <b>23 622 639</b>    | <b>3 499 781</b> |

Electricity losses are calculated as 6.06% . Electricity losses are within the industry norms.

Water losses are calculated as 24.98%. Water losses are within the industry norm.

## Notes to the Annual Financial Statements

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### 58. Multi-employer retirement benefit information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Pension Fund and the South African Municipal Workers Union National Provident Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of **R 31.6 million** (2014: **R 29.1 million**) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement funds have been valued by making use of the discounted cash flow method of valuation.

### DEFINED BENEFIT SCHEMES

#### SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2014 revealed that the assets of the fund amounted to R 12 658 200 000 (30 June 2013 : R 10 439 200 000), with funding levels of 100% (30 June 2013: 100%). The highest contribution rate paid by the members was 9% and by Council 19.18%.

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

## Notes to the Annual Financial Statements

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### 58. Multi-employer retirement benefit information (continued) Cape Joint Pension Fund

The Cape Joint Pension Fund is a multi employer plan and the contribution rate payable is 27%, 9% by the members and 23.06% by Council, effective from 01 February 2012. The actuarial valuation report at 30 June 2014 disclosed an actuarial valuation amounting to R3 631 518 000 (30 June 2013: R 3 226 863 000), with a nett accumulated surplus of R23 343 000 (2013: R10 030 000(deficit)), with a funding level of 104.4% (30 June 2013: 99.7%) The current contribution rate of the Council is sufficient to meet the current cost of earning benefits. The rate is said to be reviewed after the next actuarial valuation as at 30 June 2015.

#### DEFINED CONTRIBUTION SCHEMES

##### Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The actuarial valuation report at 30 June 2014 indicated that the defined contribution scheme of the fund is in a sound financial position, with an assets amounting to R 566 689 000 (30 June 2013 : R 483 618 000), net investment reserve of R 0 (30 June 2013 : R 787 000) and a funding level of 100% (2012 : 99.8%).

The actuary concluded that:

The Pensioner Account has a surplus of R 127.3 million and a funding level of 106.2%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.

The balance of the DB Section for DB active members has a surplus of R 23.3 million and a funding level of 101.7%.

The DC Section has a funding level of 100.0% and no surplus.

There is a future service contribution rate shortfall of 8.98% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.

The Trustees granted a pension increase of 5% effective 1 January 2015 and a bonus of 50% of monthly pension payable in December 2014. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2014, the nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

##### Cape Joint Retirement Fund

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R 17 172 854 000 (30 June 2013 : R 13 607 813 000), with funding levels of 112.6% and 99.9% (30 June 2013 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account showed a surplus of R 0 and was 100% funded for both 2014 & 2013. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 58. Multi-employer retirement benefit information (continued) Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 1 183 539 452 (30 June 2009 : R 1 123 672 020), with funding levels of 100% (30 June 2009 : 100%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. However they regarded the deficit of R 6 407 706 made as relatively insignificant in the context of the Fund.

#### South African Municipal Workers Union National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2 455 947 000 (30 June 2005 : R 1 511 461 000), with funding levels of 100% (30 June 2005: 100%). The investment smoothing reserve has increased from 1.2% of the market value of assets (or 1.25% of members' Fund Credits) at the previous valuation date to 4.6% of the market value of assets (or 5.5% of members' Fund Credits) at the current valuation date. The actuary certified that based on the 2011 valuation the Fund's assets are sufficient to cover the members' Fund Credits and Risk Benefits Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2011. In addition, there is a substantial surplus of some R 413 million. The Fund is therefore in a very sound financial position.

#### National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R 9 031 759 000 (30 June 2013 : R 6 981 450 000), with funding levels of 100.10% (30 June 2013: 99.97%). The actuary certified that the assets of the fund are sufficient to cover 100.10% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

### 59. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following directive.

- Directive 11 - Changes in measurement bases following the initial adoption of standards of GRAP.

#### Change in measurement base

During the year, the municipality changed its accounting policy with respect to the treatment of land and buildings and investment property. In order to conform with the treatment of GRAP 16 – 17 cost base. The municipality applied Directive 11 which permits a municipality to change its measurement base following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Land and buildings and investment properties were initially measured on the revaluation model and fair value model respectively. On application of Directive 11 the cost model will be applied retrospectively on land and buildings and investment property.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2015 is summarised as follow:

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 59. Changes in accounting policy (continued)

#### Statement of financial position

##### Property, plant and equipment

|                            |                      |
|----------------------------|----------------------|
| Previously stated          | 4 221 016 420        |
| Change in measurement base | (234 750 484)        |
|                            | <b>3 986 265 936</b> |

##### Investment property

|                            |                    |
|----------------------------|--------------------|
| Previously stated          | 555 933 900        |
| Change in measurement base | (141 723 081)      |
|                            | <b>414 210 819</b> |

##### Revaluation reserve

|                            |                 |
|----------------------------|-----------------|
| Previously stated          | (1 031 711 893) |
| Change in measurement base | 1 031 711 893   |
|                            | <b>-</b>        |

##### Accumulated surplus

|                   |                        |
|-------------------|------------------------|
| Previously stated | (3 840 804 655)        |
| Adjustment        | (670 215 931)          |
|                   | <b>(4 511 020 586)</b> |

#### Statement of Financial Performance

##### Depreciation and amortisation

|                   |                    |
|-------------------|--------------------|
| Previously stated | 149 029 118        |
| Adjustment        | (2 220 868)        |
|                   | <b>146 808 250</b> |

##### Impairment of non-cash generating assets

|                   |                   |
|-------------------|-------------------|
| Previously stated | 9 344 922         |
| Adjustment        | 672 727           |
|                   | <b>10 017 649</b> |

##### Fair value adjustments

|                   |                 |
|-------------------|-----------------|
| Previously stated | (16 606 845)    |
| Adjustment        | 16 591 075      |
|                   | <b>(15 770)</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 60. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

### Statement of Financial Position

|                                                              | Audited              | Prior year adjustments | Reclassifying adjustments | Restated             |
|--------------------------------------------------------------|----------------------|------------------------|---------------------------|----------------------|
| <b>Assets</b>                                                |                      |                        |                           |                      |
| <b>Current Assets</b>                                        |                      |                        |                           |                      |
| Cash and cash equivalents                                    | 609 430 080          | 1                      | -                         | 609 430 081          |
| Receivables from exchange transactions                       | 73 321 307           | (1)                    | (3 490 443)               | 69 830 863           |
| Other receivables from exchange transactions                 | 52 362 390           | (594 925)              | -                         | 51 767 465           |
| Inventories                                                  | 15 927 823           | -                      | 5 704 477                 | 21 632 300           |
| Receivables from non-exchange transactions                   | 62 479 687           | 406 313                | (1 145 089)               | 61 740 911           |
| VAT receivable                                               | 13 329 317           | 6 356                  | -                         | 13 335 673           |
| Long term receivables                                        | 38 408               | -                      | 867 700                   | 906 108              |
|                                                              | <b>826 889 012</b>   | <b>(182 256)</b>       | <b>1 936 645</b>          | <b>828 643 401</b>   |
| <b>Non-Current Assets</b>                                    |                      |                        |                           |                      |
| Biological assets that form part of an agricultural activity | 10 349 934           | 309 251                | -                         | 10 659 185           |
| Investment property                                          | 555 933 900          | (141 723 081)          | -                         | 414 210 819          |
| Property, plant and equipment                                | 4 221 016 420        | (230 917 608)          | (5 704 477)               | 3 984 394 335        |
| Intangible assets                                            | 5 329 783            | (1 289)                | -                         | 5 328 494            |
| Heritage assets                                              | 724 002              | -                      | -                         | 724 002              |
| Long term receivables                                        | 407 296              | -                      | 3 767 832                 | 4 175 128            |
|                                                              | <b>4 793 761 335</b> | <b>(372 332 727)</b>   | <b>(1 936 645)</b>        | <b>4 419 491 963</b> |
| <b>Total Assets</b>                                          | <b>5 620 650 347</b> | <b>(372 514 983)</b>   | <b>-</b>                  | <b>5 248 135 364</b> |
| <b>Liabilities</b>                                           |                      |                        |                           |                      |
| <b>Current Liabilities</b>                                   |                      |                        |                           |                      |
| Consumer deposits                                            | 12 488 198           | -                      | -                         | 12 488 198           |
| Employee benefit obligations                                 | 36 506 213           | (1)                    | -                         | 36 506 212           |
| Operating lease liability                                    | 2 412 120            | -                      | -                         | 2 412 120            |
| Other financial liabilities                                  | 9 105 127            | -                      | -                         | 9 105 127            |
| Provisions                                                   | 45 230 959           | -                      | -                         | 45 230 959           |
| Payables from exchange transactions                          | 182 204 658          | 482 855                | -                         | 182 687 513          |
| Unspent conditional grants and receipts                      | 37 079 744           | -                      | -                         | 37 079 744           |
|                                                              | <b>325 027 019</b>   | <b>482 854</b>         | <b>-</b>                  | <b>325 509 873</b>   |
| <b>Non-Current Liabilities</b>                               |                      |                        |                           |                      |
| Other financial liabilities                                  | 150 333 877          | -                      | -                         | 150 333 877          |
| Employee benefit obligations                                 | 188 703 048          | -                      | -                         | 188 703 048          |
| Provisions                                                   | 40 494 090           | -                      | -                         | 40 494 090           |
|                                                              | <b>379 531 015</b>   | <b>-</b>               | <b>-</b>                  | <b>379 531 015</b>   |
| <b>Total Liabilities</b>                                     | <b>704 558 034</b>   | <b>482 854</b>         | <b>-</b>                  | <b>705 040 888</b>   |
| <b>Net Assets</b>                                            | <b>4 916 092 313</b> | <b>(372 997 837)</b>   | <b>-</b>                  | <b>4 543 094 476</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Net Assets

|                         |                      |                      |          |                      |
|-------------------------|----------------------|----------------------|----------|----------------------|
| Reserves                |                      |                      |          |                      |
| Revaluation reserve     | 1 031 711 893        | (1 031 711 893)      | -        | -                    |
| Accumulated surplus     | 3 884 380 420        | 658 714 056          | -        | 4 543 094 476        |
| <b>Total Net Assets</b> | <b>4 916 092 313</b> | <b>(372 997 837)</b> | <b>-</b> | <b>4 543 094 476</b> |

### 60.1 Receivables from exchange transactions

|                                                                   |                   |
|-------------------------------------------------------------------|-------------------|
| Balance previously reported                                       | 73 321 307        |
| Arrangement debtors reclassified to long term receivables         | (8 712 490)       |
| Allowance for doubtful debt reclassified to long term receivables | 5 222 047         |
| Rounding error                                                    | (1)               |
|                                                                   | <b>69 830 863</b> |

### 60.2 Other receivables from exchange transactions

|                                     |                   |
|-------------------------------------|-------------------|
| Balance previously reported         | 52 362 390        |
| Public safety account               | 105 925           |
| Capital debtor erroneously captured | (700 850)         |
|                                     | <b>51 767 465</b> |

The payment to the supplier was accounted for in the correct accounting period in terms of the accrual basis of accounting.

### 60.3 Receivables from non-exchange transactions

|                                                           |                   |
|-----------------------------------------------------------|-------------------|
| Balance previously reported                               | 62 479 687        |
| Arrangement debtors reclassified to long term receivables | (1 145 089)       |
| Fines                                                     | 406 313           |
|                                                           | <b>61 740 911</b> |

### 60.4 Inventories

|                                |                   |
|--------------------------------|-------------------|
| Balance previously reported    | 15 927 823        |
| Land reclassified as inventory | 5 704 477         |
|                                | <b>21 632 300</b> |

### 60.5 VAT receivable

|                                                                                 |                   |
|---------------------------------------------------------------------------------|-------------------|
| Balance previously reported                                                     | 13 329 317        |
| VAT receivable increased due to adjustments of prior period accrued expenditure | 41 845            |
| VAT receivable decreased due to adjustments of prior period accrued expenditure | (35 489)          |
|                                                                                 | <b>13 335 673</b> |

### 60.6 Long term receivables

|                                                                                  |                |
|----------------------------------------------------------------------------------|----------------|
| Balance previously reported                                                      | 38 408         |
| Arrangement debtors reclassified to the current portion of long term receivables | 867 700        |
|                                                                                  | <b>906 108</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 60.7 Property, plant and equipment

|                                |                      |
|--------------------------------|----------------------|
| Balance previously reported    | 4 221 016 420        |
| Change in measurement base     | (234 750 484)        |
| Change in useful life          | 1 145 140            |
| Land reclassified as inventory | (5 704 477)          |
| Change in useful lives         | 2 687 736            |
|                                | <b>3 984 394 335</b> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### 60.8 Intangible assets

|                             |                  |
|-----------------------------|------------------|
| Balance previously reported | 5 329 783        |
| Change in useful life       | (1 289)          |
|                             | <b>5 328 494</b> |

Asset id 117685 depreciation was corrected for the 2012/13 financial year.

### 60.9 Long term receivables

|                                                           |                  |
|-----------------------------------------------------------|------------------|
| Balance previously reported                               | 407 296          |
| Arrangement debtors reclassified to long term receivables | 3 767 832        |
|                                                           | <b>4 175 128</b> |

### 60.10 Biological assets that form part of an agricultural activity

|                                                 |                   |
|-------------------------------------------------|-------------------|
| Balance previously reported                     | 10 349 934        |
| Tree harvest incorrectly disposed in prior year | 309 251           |
|                                                 | <b>10 659 185</b> |

### 60.11 Investment property

|                             |                    |
|-----------------------------|--------------------|
| Balance previously reported | 555 933 900        |
| Change in measurement base  | (141 723 081)      |
|                             | <b>414 210 819</b> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### 60.12 Payables from exchange transactions

|                                                          |                    |
|----------------------------------------------------------|--------------------|
| Balance previously reported                              | 182 204 658        |
| Prior period accruals erroneously not captured           | 1 304 373          |
| Reversal of duplication                                  | (48 750)           |
| Correction of prior period accruals erroneously captured | (772 768)          |
|                                                          | <b>182 687 513</b> |

### 60.13 Employee benefit obligations

|                             |                   |
|-----------------------------|-------------------|
| Balance previously reported | 36 506 213        |
| Rounding error              | (1)               |
|                             | <b>36 506 212</b> |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 60.14 Revaluation reserve

|                             |                 |
|-----------------------------|-----------------|
| Balance previously reported | 1 031 711 893   |
| Change in measurement base  | (1 031 711 893) |
|                             | <u>-</u>        |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### 60.15 Accumulated surplus

|                                                                           |                             |
|---------------------------------------------------------------------------|-----------------------------|
| Balance previously reported                                               | 3 868 686 618               |
| Change in measurement base for land and buildings and investment property | 670 224 214                 |
| Correction of expenditure and accruals                                    | 473 135                     |
| Change in useful life                                                     | 3 710 509                   |
|                                                                           | <u><b>4 543 094 476</b></u> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Statement of Financial Performance

|                                                           | Audited                | Prior year<br>adjustments | Reclassifying<br>adjustments | Restated               |
|-----------------------------------------------------------|------------------------|---------------------------|------------------------------|------------------------|
| <b>Revenue</b>                                            |                        |                           |                              |                        |
| <b>Revenue from exchange transactions</b>                 |                        |                           |                              |                        |
| Service charges                                           | 625 167 994            | 611 860                   | -                            | 625 779 854            |
| Rental of facilities and equipment                        | 16 808 776             | -                         | -                            | 16 808 776             |
| Interest earned - outstanding debtors                     | 6 313 897              | -                         | -                            | 6 313 897              |
| Agency services                                           | 2 018 435              | -                         | -                            | 2 018 435              |
| Licences and permits                                      | 7 119 738              | -                         | -                            | 7 119 738              |
| Other income                                              | 26 473 983             | (512 146)                 | -                            | 25 961 837             |
| Investment revenue                                        | 40 186 078             | -                         | -                            | 40 186 078             |
| <b>Total revenue from exchange transactions</b>           | <b>724 088 901</b>     | <b>99 714</b>             | <b>-</b>                     | <b>724 188 615</b>     |
| <b>Revenue from non-exchange transactions</b>             |                        |                           |                              |                        |
| <b>Taxation revenue</b>                                   |                        |                           |                              |                        |
| Property rates                                            | 249 518 660            | -                         | -                            | 249 518 660            |
| Property rates - penalties imposed                        | 2 850 333              | -                         | -                            | 2 850 333              |
| <b>Transfer revenue</b>                                   |                        |                           |                              |                        |
| Government grants & subsidies                             | 139 590 198            | -                         | -                            | 139 590 198            |
| Fines, penalties and forfeits                             | 59 860 887             | (21 109 320)              | -                            | 38 751 567             |
| <b>Total revenue from non-exchange transactions</b>       | <b>451 820 078</b>     | <b>(21 109 320)</b>       | <b>-</b>                     | <b>430 710 758</b>     |
| <b>Total revenue</b>                                      | <b>1 175 908 979</b>   | <b>(21 009 606)</b>       | <b>-</b>                     | <b>1 154 899 373</b>   |
| <b>Expenditure</b>                                        |                        |                           |                              |                        |
| Employee related costs                                    | (313 819 007)          | -                         | -                            | (313 819 007)          |
| Remuneration of councillors                               | (14 430 766)           | -                         | -                            | (14 430 766)           |
| Contribution to/from provisions                           | (13 357 507)           | -                         | -                            | (13 357 507)           |
| Contribution to allowance for doubtful debt               | (72 780 462)           | (9 749 250)               | 62 387 460                   | (20 142 252)           |
| Depreciation and amortisation                             | (149 029 118)          | 2 417 977                 | -                            | (146 611 141)          |
| Impairment of non cash generating assets                  | (9 344 922)            | (582 399)                 | -                            | (9 927 321)            |
| Finance costs                                             | (13 409 012)           | -                         | -                            | (13 409 012)           |
| Debt impairment                                           | (4 270 870)            | 26 666 884                | (62 387 460)                 | (39 991 446)           |
| Collection costs                                          | (1 495 790)            | -                         | -                            | (1 495 790)            |
| Repairs and maintenance                                   | (58 457 618)           | 4 244                     | -                            | (58 453 374)           |
| Bulk purchases                                            | (287 344 031)          | -                         | -                            | (287 344 031)          |
| Contracted services                                       | (38 897 630)           | 225 663                   | -                            | (38 671 967)           |
| Transfers and subsidies                                   | (5 555 047)            | -                         | -                            | (5 555 047)            |
| Contribution to employee benefits                         | (63 213 526)           | -                         | -                            | (63 213 526)           |
| General Expenses                                          | (104 835 295)          | (755 847)                 | -                            | (105 591 142)          |
| <b>Total expenditure</b>                                  | <b>(1 150 240 601)</b> | <b>18 227 272</b>         | <b>-</b>                     | <b>(1 132 013 329)</b> |
| <b>Operating surplus</b>                                  | <b>25 668 378</b>      | <b>(2 782 334)</b>        | <b>-</b>                     | <b>22 886 044</b>      |
| Gain on disposal of assets and liabilities                | 1 255 730              | -                         | -                            | 1 255 730              |
| Fair value adjustments                                    | 16 606 845             | (16 281 824)              | -                            | 325 021                |
| Gain on biological assets and agricultural produce        | 83 896                 | -                         | -                            | 83 896                 |
| Inventories (losses/write-downs)/ reversal of write downs | (39 084)               | -                         | -                            | (39 084)               |
|                                                           | <b>17 907 387</b>      | <b>(16 281 824)</b>       | <b>-</b>                     | <b>1 625 563</b>       |
| <b>Surplus for the year</b>                               | <b>43 575 765</b>      | <b>(19 064 158)</b>       | <b>-</b>                     | <b>24 511 607</b>      |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 60.16 Service charges

|                                                                            |                    |
|----------------------------------------------------------------------------|--------------------|
| Balance previously reported                                                | 625 167 994        |
| Correction of prior period transactions                                    | 99 714             |
| Reclassification of other income incorrectly classified as service charges | 512 146            |
|                                                                            | <b>625 779 854</b> |

### 60.17 Other Income

|                                                                            |                   |
|----------------------------------------------------------------------------|-------------------|
| Balance previously reported                                                | 26 473 983        |
| Reclassification of other income incorrectly classified as service charges | (512 146)         |
|                                                                            | <b>25 961 837</b> |

### 60.18 Fine, Penalties and Forfeits

|                             |                   |
|-----------------------------|-------------------|
| Balance previously reported | 59 860 887        |
| Fines                       | (21 109 320)      |
|                             | <b>38 751 567</b> |

### 60.19 Allowance for doubtful debt

|                                                                                          |                     |
|------------------------------------------------------------------------------------------|---------------------|
| Balance previously reported                                                              | (72 780 462)        |
| Reclassification of debt impairment incorrectly processed to allowance for doubtful debt | 62 387 460          |
| Fines                                                                                    | (9 749 250)         |
|                                                                                          | <b>(20 142 252)</b> |

### 60.20 Depreciation and amortisation

|                             |                      |
|-----------------------------|----------------------|
| Balance previously reported | (149 029 118)        |
| Change in measurement base  | 2 220 868            |
| Change in useful life       | 197 109              |
|                             | <b>(146 611 141)</b> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### 60.21 Impairment of non cash generating assets

|                             |                    |
|-----------------------------|--------------------|
| Balance previously reported | (9 344 922)        |
| Change in measurement base  | (582 399)          |
|                             | <b>(9 927 321)</b> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### 60.22 Debt impairment

|                                                                                          |                     |
|------------------------------------------------------------------------------------------|---------------------|
| Balance previously reported                                                              | (4 270 870)         |
| Reclassification of debt impairment incorrectly processed to allowance for doubtful debt | (62 387 460)        |
| Fines                                                                                    | 26 666 884          |
|                                                                                          | <b>(39 991 446)</b> |



# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 60.23 Repairs and maintenance

|                                                                           |                     |
|---------------------------------------------------------------------------|---------------------|
| Balance previously reported                                               | (58 457 618)        |
| Repairs and maintenance expenditure erroneously processed in prior period | 4 244               |
|                                                                           | <b>(58 453 374)</b> |

### 60.24 Contracted services

|                                                                      |                     |
|----------------------------------------------------------------------|---------------------|
| Balance previously reported                                          | (38 897 630)        |
| Contracted service expenditure erroneously processed in prior period | 47 198              |
| Correction of prior period transactions                              | 178 465             |
|                                                                      | <b>(38 671 967)</b> |

### 60.25 General Expenses

|                                                             |                      |
|-------------------------------------------------------------|----------------------|
| Balance previously reported                                 | (104 835 295)        |
| Prior period expenditure erroneously not captured           | (1 279 472)          |
| Correction of prior period expenditure erroneously captured | 474 875              |
| Reversal of duplication                                     | 48 750               |
|                                                             | <b>(105 591 142)</b> |

### 60.26 Fair value adjustments

|                                                        |                |
|--------------------------------------------------------|----------------|
| Balance previously reported                            | 16 606 845     |
| Change in measurement base on investment property      | (16 591 075)   |
| Biological assets erroneously disposed in prior period | 309 251        |
|                                                        | <b>325 021</b> |

Refer to note 59, Change in accounting policy for detail on the change in measurement base.

### Cash flow statement

#### Cash flow from operating activities

|                             |   |             |
|-----------------------------|---|-------------|
| Balance previously reported | - | 292 925 066 |
|-----------------------------|---|-------------|

#### Cash flow from investing activities

|                             |   |               |
|-----------------------------|---|---------------|
| Balance previously reported | - | (227 420 465) |
|-----------------------------|---|---------------|

#### Cash flow from financing activities

|                             |   |            |
|-----------------------------|---|------------|
| Balance previously reported | - | 38 997 413 |
|-----------------------------|---|------------|

## 61. Budget differences

### Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

### Statement of Financial Performance

#### Revenue

#### Interest earned - outstanding debtors (BD 1)

The budget was based on projected consumer debtors that was lower than the actual balance for the year.

#### Other revenue (BD 2)

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 61. Budget differences (continued)

This was caused mainly by the implementation of the Special Ratings Areas from 01 July 2015 that resulted in the additional revenue for the year.

#### Interest earned - external investments (BD 3)

The budget projection for interest earned was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

#### Property rates - penalties & collection charges (BD 4)

Receivables from property rates decreased by 8%, indicating that collection rate has improved, therefore no necessity to impose penalties and fines.

#### Fines (BD 5)

The budget projection for Fines was based on previous performance.

#### Expenditure

#### Contribution to / from provisions (BD 6)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

#### Debt impairment (BD 7)

Management projected the debt impairment based on historic data. However, the impairment was incorrectly accounted for which lead to a miscalculation in forecast. Refer to note 60.

#### Collection costs (BD 8)

Improved debtors payment resulted in less expences,due to a decline in operations such as issue of summmances/ first notice/ registered mail / sms's / Legal correspondance

#### Repairs and maintenance (BD 9)

Reclasification of employee related cost. Depency on availability of technical experts.

#### Contracted services (BD 10)

Management's projected contracted services are based on historic data. However expenses were reclassified as contracted services which led to a miscalculation in the forecast.

#### Transfer and subsidies (BD 11)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

#### Other expenses (BD 12)

Variances occurred due to reclassification of employee related expenses and savings on general expenditure line items, eg. telephone costs.

#### Loss on disposal of assets and liabilities (BD 13)

Management did not anticipate any loss on disposal of assets or liabilities.

#### Gain on biological assets and agricultural produce (BD 14)

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 61. Budget differences (continued)

Management anticipated a gain from the sale of biological assets, however this did not materialise as planned.

#### **Inventories (losses/write downs)/reversal of write downs (BD 15)**

Management did not expect any reversal of inventories write downs.

### **Statement of Financial Position**

#### **Assets**

##### **Inventory (BD 16)**

The variance relates to Land Inventory that was previously classified as Land and Buildings under Property, plant and equipment.

##### **Long term receivables (BD 17)**

Arrangement debtors reclassified to long term receivables

##### **Other debtors (BD 18)**

This was due to correction of prior period errors and reclassifications in VAT receivable, consumer debtors and other debtors. Please refer to note 60 for details.

##### **Consumer debtors (BD 19)**

Due to the decrease in our provision for bad debt as well as growth in our service delivery client base.

##### **Cash and Cash equivalents (BD 20)**

Towards the end of the financial year, the municipality had an excessive cash balance and, considering cash flows of the following year, a financially sound decision was taken by management to invest the cash in call account investments.

##### **Biological Assets (BD 21)**

Management anticipated that the value of biological assets will increase during the financial year.

##### **Investment Property (BD 22)**

The variance relates to the change in measurement basis from the fair value model to the cost model, in line with directive 11.

##### **Intangible (BD 23)**

The system/programmes and software were more than anticipated.

#### **Liabilities**

##### **Consumer deposits (BD 24)**

Growth in our community/ client base resulting in increase deposits

##### **Unspent conditional grants and receipts (BD 25)**

Developers contribution were more than anticipated. It is also important to note that it is very difficult to determine the actual developments that will take place during a year.

##### **Provisions (BD 26)**

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 61. Budget differences (continued)

Provisions are based on experts' work as at the end of the financial year. The experts' work is based on legislation such as the National Environmental Management Waste Act (No. 59 of 2008).

#### Cash Flow Statement

##### Receipts

##### Sale of goods and services (CF 1)

The actual sale of goods and services were less than what was expected.

##### Interest income (CF 2)

The budget projection for interest earned was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

##### Payments

##### Suppliers and employee costs (CF 3)

Bulk Purchases decrease is due to a decline in consumption, negative impact of load shedding and the utilization of alternative energy sources by consumers.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

##### Finance costs and Other Liabilities (CF 4)

Management re-assessed its financial position during the year and resolved not to undertake the borrowing as projected.

##### Transfers and grants (CF 5)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

##### Cash flow from investing activities

##### Capital Assets and Purchase of intangible assets (CF 6)

The variance relates to the underspending on the capital budget. .

##### Movement in investments (CF 7)

From 1 December the municipality performed the investment management function internally due to cost savings. The municipality also invested their excess funds for periods more than 3 months but up to 6 months, whereas previously all our funds were invested in the money market

##### Proceeds from biological assets (CF 8)

Management did not anticipate to sell biological assets during the financial year.

##### Proceeds from long term receivables (CF 9)

Arrangement debtors classified as long term receivables

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 61. Budget differences (continued)

#### Changes from the approved budget to the final budget

The changes between the approved and final approved adjustments budget are a consequence of reallocations within the approved budget parameters allowed for by Section 6 of the Budget Implementation and Monitoring Policy as approved by Council.

### 62. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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#### 63. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

| Deviation no: | Date of adjudication | Supplier                                 | Contract/ order description                                                                                                                                                                                                                   | Rate of recurrence              | Contract/ Order Amount |
|---------------|----------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| D/SM:01/16    | 29/07/2015           | Traffic Management Technologies          | Un-finalised infringements in legacy system - BID no. B/SM: 59/12 - TMT collection of fines                                                                                                                                                   | Per legacy fine (as specified)  | 91                     |
| D/SM:02/16    | 29/07/2015           | Various service Providers                | Deviation from procurement process for various areas within the WC024 municipal jurisdiction from 1 to 31 August 2015 - Security services                                                                                                     | Total D/SM amount               | 580 376                |
| D/SM:03/16.   | 02/09/2015           | Siyazama Cleaning                        | Appointment of service providers to maintain and clean the public ablution facilities in Kayamandi and Langrug                                                                                                                                | Total D/SM value                | 140 267                |
| D/SM:04/16    | 02/09/2015           | Impolo Trading Solutions                 | Operation and maintenance of landfill site-interwaste                                                                                                                                                                                         | Total D/SM amount               | 402 142                |
| D/SM: 05/16   | 30/09/2015           | Teeja's B&B                              | Emergency procurement: emergency councillor accomodation                                                                                                                                                                                      | Total D/SM amount               | 1 400                  |
| D/SM: 06/16   | 03/07/2015           | TMT                                      | Extension contract for provisioning of traffic law enforcement equipment and related services - Bid no. B/SM: 59/12                                                                                                                           | Per infringement (as specified) | 112                    |
| D/SM: 07/16   | 19/02/2015           | Cliffe Dekker Hofmeyr Inc                | Investigate four cases of possible misconduct (Deviation overlooked Feb 2015)                                                                                                                                                                 | Per hour                        | 2 400                  |
| D/SM: 08/16   | 13/10/2015           | Bytes Universal Systems                  | Phase 2 of the fata cleansing operation                                                                                                                                                                                                       | Total D/SM amount               | 776 260                |
| D/SM: 09/16   | 21/10/2015           | Livewire                                 | Appointment of B/SM: 6/16 automatic meter reading service provider. ( 1 August 2015 until 30 June2016)                                                                                                                                        | Total D/SM amount               | 420 831                |
| D/SM: 10/16   | 27/11/2015           | Sanitech                                 | Provision, maintenance of chemical toilets                                                                                                                                                                                                    | Total D/SM amount               | 62 130                 |
| D/SM: 11/16   | 02/12/2015           | Country Building Suppliers               | Acquisition of temporary structure kits and covering materials for damaged structures                                                                                                                                                         | Total D/SM amount               | 225 500                |
| D/SM: 12/16   | 02/12/2015           | Various artists                          | Special works of art (artists performances)                                                                                                                                                                                                   | Total D/SM amount               | 42 400                 |
| D/SM: 13/16   | 30/11/2015           | Damien Burger Professoinal Land Surveyor | Democrate the properties boundaries, to allow a visual assesment of the existing situation and to determine the position of the fencing and any structures which have been erected by the adjoining property owners on erf 1771, Stellenbosch | Total D/SM amount               | 51 300                 |
| D/SM: 14/16   | 17/12/2015           | Itron Metering Solutions SA              | Supply installation of a STS compliant prepayment electrical vending system and audit of electrical meters - B/SM: 33/16                                                                                                                      | Total D/SM amount               | 644 100                |
| D/SM: 15/16   | 29/01/2016           | AECOM                                    | FQ/SM: 282/15 - Further planning and application to roads authority                                                                                                                                                                           | Total D/SM amount               | 258 575                |

# Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2016

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|             |            |                                              |                                                                                                                                                                                          |                   |           |
|-------------|------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------|
| D/SM: 16/16 | 06/01/2016 | Trees unlimited                              | Urgent tree felling: Ryneveldt Street                                                                                                                                                    | Total D/SM amount | 74 100    |
| D/SM: 17/16 | 08/03/2016 | Johnson Crane Hire<br>TMT                    | Extension contract - Provision of traffic law enforcement equipment - extention till 30 June 2017                                                                                        | Various rates     | -         |
| D/SM: 18/16 | 16/03/2016 | Country Building Supplies                    | Procurement of emergency fire kits                                                                                                                                                       | Total D/SM amount | 1 230 000 |
| D/SM: 19/16 | 30/03/2016 | Inqubela Cleaning Services                   | Fire Enkanini                                                                                                                                                                            | Total D/SM amount | 55 000    |
| D/SM: 20/16 | 29/04/2016 | Peninsula Water Treatment and Engineering cc | Refurbishment of vandalised chlorine equipment WWTW                                                                                                                                      | Total D/SM amount | 304 414   |
| D/SM: 21/16 | 18/04/2016 | Nokhala Cleaning Services                    | Fires: Enkanini and Kayamandi                                                                                                                                                            | Total D/SM amount | 11 985    |
| D/SM:22/16  | 12/05/2016 | Trees unlimited                              | Tree damage urgent measures: Van Riebeeck Stree                                                                                                                                          | Total D/SM amount | 9 918     |
| D/SM:23/16  | 01/06/2016 | Mrs Jean Jeffrey                             | Implementation of the Berg River dam tourism attraction plan                                                                                                                             | Total D/SM amount | 360 000   |
| D/SM:24/16  | 13/06/2016 | CK Rumboll                                   | B/SM: 303/10 - Rendering professional town planning services to assist in the planning and designing of a development strategy and township establishment for the upper Jonkershoek area | Total D/SM amount | 109 440   |
| D/SM:25/16  | 17/06/2016 | AMLN General Trading                         | Repair fencing at La Motte pumpstation                                                                                                                                                   | Total D/SM amount | 10 850    |
| D/SM 26/16  | 17/06/2016 | Leelyn Management                            | Extension of contract - management of off street parking for the greater Stellenbosch Municipal area (WC024) - B/SM: 8/14 and B/SM: 9/14 for kerbside parking                            | Total D/SM amount | 2 127 360 |